

Improved data collection could aid school efficiency

by Chuck Truesdell
LRC Public Information

More specific and accurate school finance data is needed to get a better picture of how efficient and effective Kentucky schools are, according to a final report given to legislators last month.

The report, compiled at the direction of language in the 2005 budget bill, reviewed ways to measure school efficiency and effectiveness and the best way to test whether schools are meeting students' needs while maintaining strict budgets. The state legislature's Office of Education Accountability issued the report, titled "Efficiency and Effectiveness of Education Resources," to the Education Assessment and Accountability Review Subcommittee on Aug. 31.

The report's scope did not include direct assessment of individual districts' efficiency, OEA analysts said, but tests run with other states' methodologies arrived at surprising results.

In some tests using methodologies used by other

states, they said, some districts that are usually considered high-performing were found to be inefficient because of their high per-pupil spending.

The report's key recommendations included software and training improvements so that school districts' financial data could be broken down by state officials into specific categories.

Additionally, the report found, school finance officers need detailed descriptions and examples for each category for spending so that the figures can be evaluated properly. The material should include clear guidelines for what is included in each group and subgroup.

"Once we eliminate some of that gray area, we'll be able to get a better picture" of where schools are spending their money and what actually constitutes and efficient use of taxpayer funds, said panel co-chair Jack Westwood, R-Crescent Springs.

Tobacco dollars are fighting lung cancer

by Rebecca Barrett Mullins
LRC Public Information

New lung cancer drugs being developed right here in Kentucky are just a few health care successes funded with the state's share of a 1998 national tobacco settlement.

State-sponsored health insurance coverage for more than 7,000 Kentuckians with high-risk medical conditions and a statewide smoking cessation program are a couple of others shared with members of the state Tobacco Settlement Agreement Fund Oversight Committee at its meeting on August 7.

Committee members heard testimony on how these and other programs funded with 25 percent of the state's settlement dollars earmarked for health

Continued on page 2

Economic development incentives pay off, lawmakers told

by Rebecca Barrett Mullins
LRC Public Information

Kentucky's economic incentives to draw businesses and jobs to the commonwealth have proven to be a good investment, according to state Economic Development Cabinet officials.

State and local tax revenue generated annually by jobs created directly by the incentive programs exceeds the amount the state has spent on the programs since 1989 (including economic development bonds approved after Jan. 1, 1993 and loan losses since July 1992), Cabinet Secretary Gene Strong told the legislative Interim Joint Committee on Appropriations and Revenue on August 28. Approximately 126,000 Kentuckians were employed as a result of the incentive programs in 2005.

"These 126,000 jobs produced more annual taxes in one year than we've given up since the inception of these programs," said Strong.

The 2005 job figure is larger when jobs created

indirectly as a result of the incentives are considered, and even larger when "induced" jobs—which Strong said could be jobs created, for example, at a new hotel built as a result an improving economy—are factored in. Strong estimated that the incentive programs led to the direct, indirect or induced employment of more than 366,600 Kentuckians last year alone.

A large indicator of the programs' success is their effect on what Strong called Kentucky's "total value added" economy in 2005, or the total economic impact of Kentucky workers and industry. That value exceeded \$24.5 billion last year alone.

While the right incentives can have a multi-billion-dollar payoff, poor incentives can cost a state jobs and tax revenue, Strong explained.

"State and local incentives are obviously a major player in attracting and retaining companies," said Strong. "We know in many cases when we don't

Continued on page 2



Rep. Marie Rader, R-McKee, listens to testimony during the Interim Joint Committee on Appropriations and Revenue meeting on August 28.

Lawmakers discuss KEES requirements, funding

by Rebecca Barrett Mullins
LRC Public Information

Getting a state merit-based scholarship through the Kentucky Educational Excellence Scholarship Program is not rare.

Eighty percent of students attending Kentucky colleges and universities in 2004-05 in fact received an average of \$1,245 in KEES money, according to Kentucky Higher Education Assistance Authority (KHEAA) Executive Director Edward Cunningham. That amount was enough to cover 28 percent of the average four-year public tuition that year.

All a high school student needs to do to receive a scholarship for each year of college is earn at least a 2.5 grade point average. An ACT score of 15 or above will earn the student a bonus award of between \$36 and \$500 that becomes part of that annual scholarship.

But at least one member of the Interim Joint Committee on Licensing and Occupations who heard Cunningham's testimony on KEES before the committee on Aug. 11 questions whether the bar should be set higher for a merit-based scholarship.

Sen. Damon Thayer, R-Georgetown, suggested that students be required to have a B average GPA—or at least a 3.0—to be eligible for the money, which is based on merit, not need.

"If this is going to continue to be a merit-based scholarship, we should raise the GPA to a 3.0," Thayer told the committee. He said he would even favor raising the KEES award for a 3.0 GPA from the current \$250 to \$300, but questioned giving awards to those with a 2.5 GPA, which equates to a C average.

The scholarship for a 2.5 GPA is \$125, according to the KEES funding scale. Students with higher GPAs earn larger scholarships. Scholarships earned each year accumulate, allowing graduating seniors to earn up to \$2,500 per year of college study based on their scholarships and bonus award.

"\$125 for a 2.5 GPA? If that's the difference between whether someone decides to go to college (or not), I'd be very surprised," said Thayer.

Some other members, however, said they support allowing students with a 2.5 GPA to continue receiving the scholarships. Rep. Larry Clark, D-Okolona, said the money gives students a chance to succeed.

"I would be very much opposed to trying to raise the bar so we have a few people who can't make it," said Clark. "Once they get in school, they'll have the opportunity to succeed or fail."

Economic Development, from page 1

(land) a project why we lost, and it's often because we didn't offer what other states did."

Offering no incentives usually costs a state business "80 to 90 percent of the time," he added.

So far, Kentucky has been able to attract business rather economically, according to Strong's figures. While more than \$2.3 billion in tax incentive credits had been approved for the Kentucky Rural Economic Development Act (KREDA) program through December of last year, only 13 percent—or about \$304 million—of those were claimed.

The percentage of credits claimed

in other incentive programs such as the industrial revitalization and jobs development programs was similar.

"If we can locate a company with the least amount of incentives possible, that's what we'll do," said Strong.

One program with good results, according to Strong, is the Kentucky Economic Development Finance Authority Direct Loan Program. The program's historical loan losses from 1992 through 2005 total only 2.51 percent of gross loans over that period, said Strong.

"We're happy with that loan loss percentage. We believe most banks would like to have that," he said.

Tobacco funds, from page 1

care improvements are progressing. The remaining 75 percent of the settlement is divided between agriculture and early childhood development, with agriculture receiving 50 percent.

Lawmakers were informed that lung cancer research at the University of Kentucky and University of Louisville through the joint Kentucky Lung Cancer Research program is showing solid growth, both in the number of scientists who have been recruited and the results of their work.

Considering that neither school had a lung cancer research program in 2000 and now there are about 60 lung cancer researchers at both schools combined, committee co-chair Sen. Vernie McGaha was impressed.

"That is money well spent," he told directors Dr. Alfred M. Cohen of the UK Markey Cancer Center and Dr. Donald M. Miller of the U of L James Graham Brown Cancer Center who gave an update on KLCR. The discovery of an adult tissue cell that has all the characteristics of embryonic stem cells is just one of the program's many breakthroughs, said Miller.

"We have a number of our most important discoveries coming out of this (lung cancer) program," he said. The development of five to six new cancer drugs utilizing computer memory from the state's public school computer network after school hours is also in the works, said Miller.

"I think, along with many of the others things this body has done, that (KLCR) is really moving the two medical schools forward. In Louisville, it is having a huge impact in moving us forward," he said. "Quite frankly I think it would be appropriate if a cure for lung cancer was found in Kentucky

using tobacco settlement money."

Health insurance coverage for those with serious illnesses who cannot find insurance in the individual market have also benefited from the settlement through Kentucky Access. Kentucky Department of Insurance (DOI) Executive Director Julie Mix McPeak updated lawmakers on the six-year-old state-run insurance program, which now has 3,775 card-carrying members. More than 7,000 people have been served by the program since its inception.

McPeak said Kentucky Access, which has over \$41 million in net assets, had an average four percent increase in premiums this year which has kept coverage affordable. The program has managed to keep assessments on insurers at a minimum while maintaining adequate funding, she said.

Revenue from prior assessments and smaller than expected enrollment increases should keep Kentucky Access adequately funded through 2008, said McPeak. Having fewer members helps keep the program financially secure, she told lawmakers.

Kentucky Access had a net increase of 80 members a month when the program began in 2000, said McPeak. Now monthly enrollment is less than half that amount, or approximately 35 members per month.

A state effort to make schools 100-percent smoke free utilizing settlement dollars was shared with the committee by Irene Centers, program manager with the state's Tobacco Prevention and Cessation Program.

Kentucky law says schools must provide smoking areas for those over 18 although federal law prohibits any smoking on school premises, said Centers. There are conflicting reports on whether Kentucky schools are or are not smoke free, she said.

"If you talk to the principals, they will tell you their schools are smoke free. If you talk to the students, they will disagree with you," said Centers. "We're hoping that by going out and talking to people ...about risk factors, that we can make schools 100 percent smoke free."

The smoking cessation program will receive over \$4.5 million in settlement funds over the next two years. Approximately \$7.5 million in settlement dollars was appropriated in the budget for KLCR.

"We have a number of our most important discoveries coming out of this (lung cancer) program."

Dr. Donald M. Miller
James Graham
Brown Cancer Center

2006
KENTUCKY

General
Assembly

Senate

Walter Blevins, Jr.
777 Broadway
West Liberty 41472-1023

Office 606-743-1212
Home 606-743-1200
FAX 606-743-1214

Charlie Borders

Room 230
State Capitol Annex Frankfort 40601
Home 606-475-0237

David E. Boswell

5591 Panther Creek Park Drive
Owensboro 42301

Home 270-771-4921
Fax 270-926-9047

Tom Buford

409 W. Maple Nicholasville 40356
Home/FAX 859-885-0606

Julian M. Carroll

Room 229 Capitol Annex
Frankfort 40601

Office 502-564-8100

Perry B. Clark

5716 New Cut Road Louisville 40214
Home 502-366-1247

Julie C. Denton

1708 Golden Leaf Way
Louisville 40245

Home 502-489-9058

Carroll Gibson

PO Box 506 Leitchfield 42755
Home 270-259-6289
Office 270-230-5866

Brett Guthrie

1005 Wrenwood Drive
Bowling Green 42103

Office 270-781-0049
Home 270-781-5597

Denise Harper Angel

2521 Ransdell Ave. Louisville 40204
Home 502-417-4900

Ernie Harris

PO Box 1073
Crestwood 40014

Home 502-241-8307

Tom Jensen

303 S. Main Street London 40741
Home 606-878-8845

Ray S. Jones II

PO Drawer 3850
Pikeville 41502

Office 606-432-5777
FAX 606-432-5154

Dan Kelly

324 W. Main Springfield 40069
Office 859-336-7723
Home 859-336-9048

Alice Forgy Kerr

PO Box 911168 Lexington 40591-1168
Home 859-223-3274

Robert J. "Bob" Leeper

229 South Friendship Paducah 42003
Office 270-554-9637
Home 270-554-2771
FAX 270-554-5337

Vernie McGaha

4787 W. Hwy. 76
Russell Springs 42642
Home 270-866-3068

Daniel Mongiardo

200 Medical Ctr. Drive, Ste. 2N
Hazard 41701
Office 502-564-8100, ext. 661
FAX 606-439-1941

Gerald A. Neal

One Riverfront Plaza
401 W. Main, Ste. 1807 Louisville 40202
Office 502-584-8500
Home 502-778-1178
FAX 502-584-1119

R.J. Palmer II

1391 McClure Road Winchester 40391
Home 859-737-2945

Joey Pendleton

905 Hurst Dr. Hopkinsville 42240
Home 270-885-1639
FAX 270-885-0640

Jerry P. Rhoads

PO Box 2002
Madisonville 42431

Office 270-825-1490
Home 270-825-2949

Dorsey Ridley

4030 Hidden Creek Drive
Henderson 42420

Home 270-826-5402
Work 270-869-8400

Richard L. "Dick" Roeding

2534 Kearney Ct., Lakeside Park 41017
Home 859-331-1684
FAX 859-331-1238

Richie Sanders, Jr.

901 Maple Leaf St. Franklin 42134-2444
Home 270-586-5473

Ernesto Scorsone

511 W. Short Street
Lexington 40507

Office 859-254-5766
Home 859-254-3681

Dan "Malano" Seum

1107 Holly Ave. Fairdale 40118
Home 502-749-2859

Tim Shaughnessy

Suite 103, 250 E. Liberty
Louisville 40202

Office 502-584-1920

Katie Kratz Stine

21 Fairway Drive Southgate 41071
Home 859-781-5311

Robert Stivers II

207 Main Street Manchester 40962
Office 606-598-2322
Home 606-598-8575
FAX 606-598-2357

Gary Tapp

2154 Buzzard Roost Rd. Waddy 40076
Home 502-829-9220

Damon Thayer

102 Grayson Way Georgetown 40324
Home 859-621-6956
FAX 502-868-6086

Elizabeth Tori

2851 S. Wilson Rd. Radcliff 40160
Home 270-351-1829
FAX 270-351-1829

Johnny Ray Turner

PO Box 5 Drift 41619
Home 606-377-6962

Jack Westwood

2072 Lakelyn Court Crescent Springs
41017-4472

Home 859-344-6154

David L. Williams

PO Box 666
Burkesville 42717

Office 270-864-5636
Home 270-433-7777

Kenneth W. Winters

1500 Glendale Road Murray 42071
Office/FAX 270-759-5751

Ed Worley

PO Box 659 Richmond 40475
859-623-6524
FAX 859-623-6557

House of Representatives

Royce W. Adams

580 Bannister Rd. Dry Ridge 41035
Office 859-824-3387
Home 859-428-1039

Rocky Adkins

PO Box 688 Sandy Hook 41171
Office 606-928-3433
Home 606-738-4242
FAX 606-928-5913

Adrian K. Arnold

4600 Paris Pike
Mt. Sterling 40353
Home 859-498-3034

John A. Arnold, Jr.

1301 N. Lee, PO Box 124
Sturgis 42459
Office 270-333-4641

Eddie Ballard

PO Box 1736 Madisonville 42431
Office 270-821-4767
Home 270-821-6255

Joe Barrows

152 Stout Ave. Versailles 40383
Home 859-873-9768

Sheldon E. Baugh

252 W. Valley Dr. Russellville 42276
Office 270-726-7616
Home 270-726-2712

Carolyn Belcher

51 Blevins Valley Road
Owingsville 40360
Office 606-674-2417

Joe R. Bowen

2031 Fieldcrest Dr. Owensboro 42301
Home 270-685-1859
Office 270-683-0236

Kevin D. Bratcher

10215 Landwood Drive
Louisville 40291
Home 502-231-3311

Scott W. Brinkman

6001 Two Springs Lane
Louisville 40207
Home 502-893-8769
FAX 502-894-0210

James E. Bruce

6750 Ft. Campbell Blvd.
Hopkinsville 42240
Home 270-886-2422

Thomas J. Burch

4012 Lambert Ave.
Louisville 40218
Home 502-454-4002

Denver Butler

6712 Morocco Dr. Louisville 40214
Office 502-366-7195

Dwight D. Butler

PO Box 9 Harned 40144
Office 270-756-5931
Home 270-756-0100

James Carr

Room 413B Capital Annex
Frankfort 40601
Home 270-886-7620

Mike Cherry

803 S. Jefferson Princeton 42445
Home 270-365-7801

Larry Clark

5913 Whispering Hills Blvd.
Louisville 40219
Home 502-968-3546

Hubert Collins

72 Collins Dr. Wittensville 41274
Home 606-297-3152

James R. Comer, Jr.

407 4th St. Blvd. Tompkinsville 42167
Home 270-487-5585

Howard Cornett

20 El Paso Whitesburg 41858
Home 606-633-3124
Office 606-832-4827

Tim Couch

PO Box 710 Hyden 41749
Home/FAX 606-672-8998

Jesse Crenshaw

121 Constitution Lexington 40507
Office 859-259-1402
Home 859-252-6967
FAX 859-259-1441

Ron Crimm

PO Box 43244 Louisville 40253
Office 502-245-2118
Home 502-245-8905

Robert R. Damron

231 Fairway West Nicholasville 40356
Home 859-887-1744

Jim DeCesare

136 Cedar Trail Ave. Bowling Green 42101
Home 270-843-8982

Milward Dedman

300 South Chiles Harrodsburg 40330
Office 859-734-2880
Home 859-734-2662
FAX 859-734-4946

Mitchel B. (Mike) Denham, Jr.

306 Old Hill City Road Maysville 41056
606-759-5167

Bob M. DeWeese

6206 Glen Hill Rd. Louisville 40222
Home 502-426-5565

Jon Draud

3081 Lyndale Ct.
Edgewood 41017-4309
Office 859-572-5757

Ted "Teddy" Edmonds

1257 Beattyville Road Jackson 41339
Home 606-666-4823

C.B. Embry, Jr.

PO 1215 Morgantown 42261
Office 270-526-6237
Home 270-791-1879

Bill Farmer

3361 Squire Oak Dr. Lexington 40515
Office 859-272-1425
Home 859-272-8675
FAX 859-272-1579

Joseph M. Fischer

126 Dixie Place Fort Thomas 41075
Office 513-794-6442
Home 859-781-6965

David W. Floyd

102 Maywood Ave. Bardstown 40004
Home 502-350-0986

Danny R. Ford

PO Box 1245 Mt. Vernon 40456
Office 606-256-5229
Home 606-256-4446

Jim Gooch, Jr.

714 North Broadway B2
Providence 42450
Office 270-667-9900
Home 270-667-7327
FAX 270-667-9900

Derrick W. Graham

Room 451B Capitol Annex Frankfort 40601
Home 502-223-1769

J.R. Gray

3188 Mayfield Hwy. Benton 42025
Home 270-527-8376

W. Keith Hall

PO Box 466 Phelps 41553
Home 606-456-8666
Office 606-456-3432 Ext. 25

Mike Harmon

PO Box 458 Junction City 40440
Home 859-854-6328

Mary C. Harper

5550 N. Preston Shepherdsville 40165
Home 502-957-4467

Melvin B. Henley

1305 S. 16th Street Murray 42071
Home 270-753-3855

Jimmy Higdon

507 West Main Lebanon 40033
Office 270-692-3881
Home 270-692-6945
FAX 270-692-1111

Charlie Hoffman

406 Bourbon St. Georgetown 40324
Office 502-863-4807
Home 502-863-9796

Jeffrey Hoover

PO Box 985 Jamestown 42629
Office 270-343-5588
Home 270-343-2264

Dennis Horlander

1806 Farnsley Rd. Shively 40216
Home 502-447-6122
Office 502-447-2498
FAX 502-447-4715

Joni L. Jenkins

2010 O'Brien Ct. Shively 40216
Home 502-447-4324

Dennis Keene

1040 John Hill Road Wilder 41076
Home 859-441-5894

Thomas Kerr

5415 Old Taylor Mill Rd. Taylor Mill 41015
Office 859-431-2222
Home 859-356-1344
FAX 859-431-3463

Jimmie Lee

901 Dogwood Dr. Elizabethtown 42701
Office 270-765-6222
FAX 270-765-2312
Home 270-737-8889

Stan Lee

PO Box 2090 Lexington 40588
859-252-2202
FAX 859-259-2927

Gross C. Lindsay

PO Box 19 Henderson 42419-0019
Office 270-827-9824

Gerry Lynn

1120 Lakeshore Pkwy. Brandenburg 40108
Home 270-422-4343

Paul H. Marcotte

10674 Palestine Dr. Union 41091
Home 859-384-1097

Mary Lou Marzian

2007 Tyler Ln. Louisville 40205
Home 502-451-5032

Thomas M. McKee

1053 Cook Road Cynthiana 41031
Home 859-234-5879
FAX 859-234-3332

Charles E. Meade

PO Box 222 Allen 41601
606-285-0196
FAX 606-874-9102

Reginald K. Meeks

PO Box 757 Louisville 40201
502-772-1095

Charles Miller

3608 Gateview Circle Louisville 40272
Home 502-937-7788

Harry Moberly, Jr.

PO Box 721 Richmond 40475
Office 859-622-1501
Home 859-624-2781

Russ Mobley

900 Holly Street Campbellsville 42718
Office 270-789-5266
Home 270-465-6436

Brad Montell

543 Main Street Shelbyville 40065
Home 502-633-7017
FAX 502-633-6812

Lonnie Napier

302 Danville St., Lancaster 40444
Office 859-792-2535
Home 859-792-4860

Rick G. Nelson</

Committee Meetings

Index

- A**
Administrative Regulation Review Subcommittee, 28, 31
Agriculture and Natural Resources, 4, 5
Appropriations and Revenue, 6, 7
- B**
Banking and Insurance, 8
- C**
Capital Projects and Bond Oversight Committee, 26
- E**
Education, 9, 11, 12, 15
- G**
Government Contract Review Committee, 35, 39
- H**
Health and Welfare, 16
- L**
Labor and Industry, 18
Licensing and Occupations, 19, 20
Local Government, 22
- P**
Program Review and Investigations, 41
- S**
State Government, 23, 26
- T**
Tobacco Settlement Agreement Fund Oversight Committee, 44

Interim Joint Committee on Agriculture and Natural Resources Subcommittee on Natural Resources Minutes of the 1st Meeting of the 2006 Interim July 12, 2006

The 1st meeting of the Subcommittee on Natural Resources of the Interim Joint Committee on Agriculture and Natural Resources was held on Wednesday, July 12, 2006, at 10:00 AM, in Room 131 of the Capitol Annex. Senator Ernie Harris, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ernie Harris, Co-Chair; Senators David E. Boswell, and Dan Kelly; Representatives Hubert Collins, Howard D. Cornett, Reginald K. Meeks, Terry Shelton, and Brandon D. Smith.

Guests: Sara D. Evans, Branch Manager, Resource Conservation and Local Assistant Branch, Division of Waste Management, Kentucky Environmental and Public Protection Cabinet; Brad Stone, Branch Manager, Program Planning and Administrative Branch, Division of Waste Management, Kentucky Environmental and Public Protection Cabinet; Fred Kirchhoff, Resource Conservation and Local Assistant Branch, Division of Waste Management, Kentucky Environmental and Public Protection Cabinet; Leslie King, Resource Conservation and Local Assistant Branch, Division of Waste Management, Kentucky Environmental and Public Protection Cabinet, and William Hill, Resource Conservation and Local Assistant Branch, Division of Waste Management, Kentucky Environmental and Public Protection Cabinet.

LRC Staff: Hank Marks, Tanya Monsanto and Susan Spoonamore, Committee Assistant.

Chairman Harris called the meeting to order. The roll was taken. A quorum was not present.

Sara D. Evans, Branch Manager, Resource Conservation and Local Assistant Branch, Division of Waste Management, Kentucky Environmental and Public Protection Cabinet; Brad Stone, Branch Manager, Program Planning and Administrative Branch, Division of Waste Management, Kentucky Environmental and Public Protection Cabinet; Fred Kirchhoff, Leslie King and Billy Hill, all from the Division of Waste Management of the Department of Environmental Protection, introduced themselves to the committee.

Sara Evans provided a slide presentation that reviewed the Statewide SolidWaste Management Report – 2004 Update. The report included information regarding the status of illegal dump cleanup, the litter program, landfill waste disposal, the waste tire program, recycling, e-waste and hazardous waste disposal and recycling, and the changes that were

made as a result of SB 50 of the 2006 General assembly.

Chairman Harris asked for the definition of an open dump. Ms. Evans described an open dump as being two cubic yards or one pickup truck or larger.

Ms Evans reported that since passage of House Bill 174 in 2002, about 10 times more litter was being cleaned up annually at a cost that is 75% less per bag than it was in 2001. She also stated that waste disposal was continuing to increase in Kentucky. Even with the addition of the \$1.75 Environmental Impact Fee established by HB 174, Kentucky fees are 15% less than the average of the seven surrounding states.

Senator Boswell asked if the amount of out-of-state waste coming into Kentucky from the surrounding states was being monitored. Ms. Evans stated that approximately 14% of landfill waste in Kentucky is from out-of-state. She stated that it was being monitored and reported quarterly.

Ms. Evans also discussed the effect of interstate commerce law on controlling the amount of out-of-state waste that comes into Kentucky, and noted that there was federal legislation under consideration that may change this in some way.

Next, Ms Evans discussed the waste tire program, noting that since its inception it had recycled over 15 million tires and it is a model that has won national awards. She also talked about the extension of the program to 2010 and the tire amnesty program schedule for the next few years.

Chairman Harris asked if schools and citizen groups could collect tires and turn them in. Ms. Evans stated that they could. She stated that if groups collected a large amount of tires, then arrangements would be made to have a contractor go to the site and collect them.

Senator Boswell asked if using tires for energy and power plant use was an efficient way of disposing of tires. Ms Evans identified power plants and other plants that are using or are projected to use tire derived fuel (TDF).

Mr. Kirchhoff stated that the Owensboro plant burns 10 million a year, and another plant will burn 7 million, and a paper plant will be burning about 5 million. He stated that when they are all operational they will have the capacity to burn more waste tires annually than Kentucky generates.

Related to tire recycling, Ms. Evans discussed the crumb rubber surfacing grant program.

Rep. Smith asked why counties in eastern Kentucky did not receive grants for 2005. Ms. Evans stated that several eastern Kentucky counties had received grants in 2004.

Ms. Evans was also asked if the ADD

districts received any grant money. She stated that they did not receive any grant money. She said that the money went directly to county, school, city, and park applicants.

Ms. Evans described the functions of the county solid waste coordinators, and explained Kentucky's recycling rates, recycling grants, recycling infrastructure projections, and recycling markets.

Rep. Smith said that he would like for the state to become more aggressive in supporting recycling centers. He said that if landfill disposal increased, and recycling was not increased, then problems could be encountered in the future. Rep. Smith also talked about the bio-mass conversion and a bio-mass plant in Sevierville, Tennessee. Ms Evans said that a bio-mass plant is being proposed for Martin County, Kentucky.

Ms. Evans stated that Kentucky's recycling rate is 22% lower than the national average of 28%. She noted that 27% of Kentucky households have curbside recycling. She also discussed the recycling grant program created by SB 50 of the 2006 Session. She also explained the current recycling infrastructure projections, and the status of recycling markets. She said that the Kentucky Recycling Interest Group (KRIG) would be meeting in August to foster local, state and private recycling partnerships to benefit Kentucky's economy and environment.

Rep. Shelton asked if there was a correlation between mandatory collection and recycling success. Ms. Evans stated that there are 31 counties with mandatory collection, the majority of them in eastern Kentucky. She stated that a collection infrastructure is necessary for recycling. She said that several counties may have the infrastructure, but not a mandatory collection ordinance.

Sen. Boswell asked if there was coordination between the Cabinet and the Economic Development Cabinet regarding recycling markets and use for recyclables. Ms. Evans stated that both Cabinets were coordinating their efforts.

Sen. Boswell asked how many landfills required separation of hazardous household waste. Ms. Evans said she did not know, but would get that information for the committee.

Rep. Collins asked about the status of technology for burning solid waste for energy. He observed that environmentalists seems to impede the development of this technology.

Ms. Evans described the program changes and provisions resulting from SB 50 of the 2006 General Assembly. She noted that the legislation provides funds for recycling, and that it also provides for funds in advance of cleanups. She said that the county litter match of 25% is no longer required.

Ms. Evans concluded the presentation with projections and recommendations for FY 2007. She stated that the FY07 budget limits the amount of \$5.34 million to be expended for illegal dump, recycling and household hazardous waste/e-scrape programs. She noted that the Cabinet anticipates receiving approximately \$11.3 million in grant requests, and that an additional appropriation may be required.

She also stated that a tire bond increase may be necessary as well. She said that the Cabinet inherited four tire sites last year, with cleanup costs of over \$2 million. Presently the bonds only total \$330,000.

Chairman Harris asked how the Cabinet inherited the four tire sites. Mr. Kirchhoff explained tire bonding and how most bonds are \$10,000 which covers 10,000 tires at one dollar each. He noted that many sites are under-bonded with more tires on hand than the bond covers. He also said that the fuel and transportation costs make it more costly than \$1.00 per tire to transport. He explained that if a business went bankrupt, the only money available is the bond money. He stated that the Division needs to do a better job of policing existing sites to ensure that there are not more tires accumulating than are covered by bond. He discussed the current enforcement process, and its limitations.

Chairman Harris asked about the Adopt-a-Highway program. Ms. Evans stated that the Adopt-a-Highway program was under the purview of the Transportation Cabinet. She said she did not know how many miles the program covered, but she could get that information for the committee.

Chairman Harris asked about the projected life of existing landfills. Ms. Evans stated that, on average, they have a life expectancy of approximately 20 to 30 years. She stated that decisions about landfill expansion rests with local governments, and local approvals might bring it to 40 years.

Rep. Collins asked if hidden dumpsite cameras were still being used. Ms. Evans stated that there are currently only two cameras in operation. She discussed the existence and use of the illegal dump and litter hotline. She stated that number of citations and violations being processed by the courts are being reported; but the court decisions were not. She stated that the court systems are crowded with other cases, making it hard to push violations through the system.

Sen. Boswell discussed the voluminous amount of paper being used in hardcopy reports that are sent to all legislators. He stated that perhaps the system of reporting and accountability should be changed in order to reduce the volume of paper waste. Ms. Evans discussed what her agency is doing to reduce the volume.

Rep. Smith asked that the committee be provided specific information on the number of citations issued, and the number of convictions for illegal dumping and littering in the eastern Kentucky counties.

Chairman Harris concluded the meeting stating that, "this has been one of the most interesting and fascinating briefings that we have had in a long time." He also asked that condolences be delivered to Secretary Wilcher who could not attend the meeting due to a death in her family.

There being no further business the meeting was adjourned.

Interim Joint Committee on Agriculture and Natural Resources Minutes of the 1st Meeting of the 2006 Interim July 12, 2006

The 1st meeting of the Interim Joint Committee on Agriculture and Natural Resources was held on Wednesday, July 12, 2006, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Jim Gooch Jr, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representatives Jim Gooch Jr, Co-Chair, and Thomas M McKee, Co-Chair; Senators Ernie Harris, Robert J. (Bob) Leeper, Vernie McGaha, Joey Pendleton, and Damon Thayer; Representatives Royce W. Adams, Adrian K. Arnold, James E. Bruce, Dwight D. Butler, Mike Cherry, Hubert Collins, James R. Comer Jr, Howard D. Cornett, W. Milward Dedman Jr, Mike Denham, C. B. Embry Jr, Jimmy Higdon, Charlie Hoffman, Reginald K. Meeks, Brad Montell, Fred Nesler, Don R. Pasley, Marie L. Rader, Rick W. Rand, Steven Rudy, Brandon D. Smith, Jim Stewart III, Tommy Turner, Ken Upchurch, and Susan Westrom.

Guests: Andrew McNeil, Executive Director, Office of Energy Policy; Dr. Steve Riggins, University of Kentucky, Department of Agriculture; Mr. Keith Rogers, Governor's Office of Agricultural Policy; Commissioner Richie Farmer, Kentucky Department of Agriculture; Mark Farrow, Kentucky Department of Agriculture, and Dr. Wilbur Frye, Kentucky Department of Agriculture.

LRC Staff: Tanya Monsanto, CSA; Lowell Atchley; Biff Baker; Hank Marks; Susan Spoonamore, Committee Assistant, and Clark Baird, Graduate Fellow Intern.

Rep. Gooch thanked the members for their attendance and then Rep. Denham introduced some people in the audience. Sen. Thayer then gave the report of the Horse Farming Subcommittee. He stated that the subcommittee received testimony from the Racing Commission and on the distribution of monies from the breeders incentive fund. The subcommittee also received testimony on efforts to establish a school for jockeys at the Kentucky Horse Park. Rep. Nesler talked about the importance of the quarter horse industry and stated that the value of quarter horses should not be overshadowed by Thoroughbreds. After a motion and a second, the subcommittee report was approved.

Sen. McGaha gave the report of the Rural Issue Subcommittee which received testimony from Mr. Jeff Hall with the Farm Service Agency (FSA). Mr. Hall talked about FSA's national farm loan program and the tobacco buyout. He also talked about re-

organization of the agency in Kentucky. After a motion and a second, the subcommittee report was approved.

Then, Sen. Harris gave the report of the Natural Resources Subcommittee. The subcommittee meeting focused on illegal dumping, recycling, and solid waste management in Kentucky. Testimony from the Environmental and Public Protection Cabinet's division of waste management indicated that Kentucky doesn't have high volumes or the needed infrastructure to grow the recycling program. After a motion and a second, the subcommittee report was approved.

Rep. Gooch asked representative from the Office of Energy Policy to give a update on the implementation of House Bill 299, passed during the 2006 General Assembly. Mr. Andrew McNeil gave the presentation. He stated that Kentucky has a series of challenges and then talked about how the demand for petroleum and natural gas has outstripped supply. Mr. McNeil then talked about the "industrialization of Kentucky's energy resources" as a way of meeting energy production in the future. According to Mr. McNeil, "PolyGen" plants will be the way tomorrow's energy plants will be built. He then talked about the role of biodiesel and ethanol production stating these are very important fuel stocks particularly if Kentucky can successfully cultivate switchgrass. Currently the Office of Energy Policy is working with the University of Kentucky on ways to promote alternative fuels. Lastly, Mr. McNeil discussed the development of a "site bank" which would contain a list of places for locating energy production facilities. According to Mr. McNeil the bank would be geographically balanced and contain between 4 to 6 sites.

Rep. Cornett stated that Mr. McNeils remarks were encouraging and positive. He asked about the type of infrastructure needed for a PolyGen plant. Mr. McNeil responded that it would be the same as for any other type of power plant.

Rep. Denham asked where the "break-even" point is for petroleum and why the price for natural gas has not gone down. Mr. McNeil replied that it is roughly \$40-\$50 per barrel and that he is not certain why the price of natural gas has not decreased.

Rep. Gooch stated that the committee should examined this question, perhaps by finding a national expert to respond to the committee's questions. Then Rep. Gooch commented that the supply of natural gas is increasingly utilized for energy production rather than home heating. Coal prices remain more stable than natural gas and it preferable for energy production.

Rep. McKee thanked the chair and Mr. McNeil for his testimony. He asked is it possible for a farmer to grow switchgrass in Kentucky or will returns be limiting. Mr. McNeil indicated it had promise.

Rep. Embry asked how many years of petroleum does the world have left. Mr. McNeil responded about 20 to 25 years. Other experts cite 75 years. Rep. Embry continued that the limited number of re-

serves demonstrates the importance of developing alternatives fuel sources.

Rep. Cornett stated that in Eastern Kentucky there are sizable coal reserves but investment is needed in that region. Mr. McNeil responded that in the future, new technologies will drive the industry.

Rep. Smith stated that the world is changing and underdeveloped countries have started to mechanize. People are buying tractors and cars. We need to champion alternative fuels.

Rep. Gooch thanked Mr. McNeil for his presentation and then asked representatives from the Department of Agriculture to give their presentation. Commissioner Richie Farmer discussed the recent passage of a bill that authorized a laboratory for the testing of fuels and pesticides. He explained current gasoline testing procedures and that the program must be closed due to lack of funds.

Rep. Smith asked if KDA examined octane levels in the fuels. Commissioner Farmer replied that there is sufficient personnel to examine stations regularly; however it is impossible to verify octane levels in each and every station. This is why it would be good to have a testing laboratory ourselves.

Sen. Pendleton asked if KDA could determine octane levels in biodiesel or ethanol. Commissioner Farmer replied that it could not be done at the pump. Dr. Frye stated that there is a new research testing procedure to examine blends and hopefully it will be available in the future for biodiesel. Sen. Pendleton responded that it is necessary to determine the examine percentages in blends, particularly if Kentucky ever mandates certain fuel blends.

Rep. McKee asked when the testing laboratory will be open. Dr. Frye replied July 1, 2007, the laboratory will begin operations.

Rep. Meeks asked how many tests can the laboratory perform and will it perform tests for other states. Commissioner Farmer replied yes the laboratory can perform tests for other states and it can handle 6,000 to 8,000 tests. Dr. Frye added that Kentucky is new in this arena and KDA plans on visiting N. Carolina and Maryland to see how they are running their testing laboratories.

Rep. Gooch thanked the commissioner and then introduced Dr. Steve Riggins from the University of Kentucky, Department of Agriculture. Dr. Riggins explained that the next farm bill will impact what states can do in the future in the development of fuels and other agricultural commodities. Traditionally the nation has used agricultural commodities for fuel or feed. Forty-six percent (46%) of agricultural products go to feed beef cattle.

He explained that the government has used various programs to stabilize farm prices and to raise revenue to farmer. This is because crop farmers are not as responsive to price signals as other agricultural markets like beef and hogs. Dr. Riggins explained that as prices rise for corn, some sectors will benefit while others will be hurt. This is the same for countries too. It is because the land for food production

has to be taken out for use for fuel development.

Dr. Riggins summarized by stating that alternative fuel markets are a bubble economy. The question is how long the bubble will last. There are distribution problems for ethanol because it must be trucked. The biggest question is how many years are needed for payback on a plant's initial investment. There are new seed varieties and other countries will enter the production market and produce these crops more cheaply. Countries like Brazil or those in the Caribbean can quickly increase production of sugar cane or similar crops for fuel. This would cause prices to drop and negatively implicate returns on investment.

Sen. Harris asked will there be a market for alternative fuels. Dr. Riggins replied yes. The market is dynamic and there are extraordinary profits to be made but it will also lead to conservation and increased production worldwide.

Rep. Gooch asked what percent of the current corn crop is being used to produce ethanol. Dr. Riggins replied for the current year, fourteen percent (14%) is being used. The projection one year ahead is for eighteen percent (18%) and could approach twenty percent (20%).

Rep. Gooch commented that the public would not stand for production levels for food to fall significantly. Dr. Riggins replied that it will also impact farm land availability. Farm land will not be cheap if it is used to produce feedstocks for biofuels.

Rep. Gooch thanked Dr. Riggins for his testimony and then asked Mr. Keith Rogers to update the committee on the role of the Governor's Office of Agricultural Policy (GOAP) in the promotion and investment in alternative fuels. Mr. Rogers described a series of projects financed by the Agricultural Development Board (ADB). Mr. Roger's presentation and materials are filed in the LRC library.

Mr. Rogers agreed with Dr. Riggins testimony that the biofuels market may be a bubble economy, and there is a need to examine payback periods. He then talked about cellulose technologies and the future of switchgrass in fuel production.

Rep. Adrian Arnold asked if switchgrass is produced in bulk and can you mix different types of fuel stocks. Mr. Roger stated yes. It is about 8 ton per acre and you can blend different types such as switchgrass with sawdust.

Rep. Gooch asked if there would be a need to take other commodities out of production to produce switchgrass. Mr. Rogers stated yes. It is a one cutting crop, so other crops would be taken out of production. KDA is going to be examining the issue to find out the specific economies for switchgrass production.

Rep. Gooch thanked Mr. Rogers and the meeting adjourned.

Interim Joint Committee on Appropriations and Revenue Minutes of the 1st Meeting of the 2006 Interim July 27, 2006

The 1st meeting of the Interim Joint Committee on Appropriations and Rev-

enue was held on Thursday, July 27, 2006, at 1:00 PM, in Room 131 of the Capitol Annex. Representative Harry Moberly Jr, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Charlie Borders, Co-Chair; Representative Harry Moberly Jr, Co-Chair; Senators David E Boswell, Tom Buford, Carroll Gibson, Denise Harper Angel, Ernie Harris, Alice Forgy Kerr, Robert J (Bob) Leeper, R J Palmer II, Tim Shaughnessy, Robert Stivers II, Gary Tapp, Elizabeth Tori, Johnny Ray Turner, and Jack Westwood; Representatives Royce W Adams, John A Arnold Jr, Joe Barrows, Dwight D Butler, Larry Clark, James R Comer Jr, Jesse Crenshaw, Bob M DeWeese, Jon Draud, Danny R Ford, Joni L Jenkins, Jimmie Lee, Mary Lou Marzian, Lonnie Napier, Fred Nesler, Stephen R Nunn, Don R Pasley, Marie L Rader, Charles L Siler, Arnold Simpson, John Will Stacy, Tommy Turner, John Vincent, Jim Wayne, Robin L Webb, and Rob Wilkey.

Guests: Bradford Cowgill, John Hicks, and Greg Harkinrider, Office of the State Budget Director; Commissioner Jerry Miller, Kentucky Department of Parks; Secretary John Farris, Finance and Administration Cabinet; and Commissioner Marian Davis, Department of Revenue.

LRC Staff: Pam Thomas, Charlotte Quarles, John Scott, Lauren Armstrong, and Sheri Mahan

Representative Moberly thanked the committee members for their dedication and service during the Special Session.

Mr. Bradford Cowgill, State Budget Director, provided the committee a report on state revenue receipts and a year-end financial report. Mr. Cowgill gave a brief overview of Kentucky's economic growth, stating that nonfarm employment has reached a record high. He stated that General Fund receipts increased by 9.6% in FY06 and all major taxes, with the exception of the individual income tax, showed strong growth. FY06 General Fund revenues over FY05 increased by \$731.1 million, with the greatest growth show in the corporate license tax and tobacco tax.

Mr. Cowgill then outlined the reasons for the strong revenue increases in FY06. He stated that several factors contributed to the growth, including business confidence, increases in sales and use tax collections, increased cigarette tax collections, increased collection efforts by the Department of Revenue, and the tax modernization "hump". Mr. Cowgill further discussed the tax modernization hump, explaining that while HB 272 was basically revenue neutral, that a revenue spike had been expected for FY06. He stated that individual income tax receipts dropped 3.9% and that sales tax growth hit record levels, he noted that tobacco taxes increased by 447% during FY06.

Mr. Cowgill next discussed the General Fund surplus for FY06, stating that the surplus is \$136.5 million. He noted that this surplus is mainly due to higher than estimated revenues and less than estimated expenditures. He told the committee that the Governor transferred \$112.5 million into the Budget Reserve Trust Fund,

\$12 million into the Kentucky Employees Retirement System, and \$12 million into the Kentucky Teacher's Retirement System Medical Insurance Fund, equaling the total \$136.5 million surplus.

Next, Mr. Cowgill discussed the Road Fund revenues for FY06. He stated that the Road Fund totaled \$1,165.4 million for FY06, an increase of \$38.8 million over FY05. He said that the motor fuels tax was the major contributor, increasing 7.6% during FY06. While the Road Fund revenues showed an increase, the actual total was 4.3% less than the estimate for FY06.

Mr. Cowgill said that the state has an unprecedented cash balance, with a total carryforward of \$800 million. The administration increased funding for K-12 education for FY06-07, raising the annual per pupil rate. He provided a general breakdown of how the General Fund is spent which is as follows: P-12 Education 43.8%, Postsecondary Education 14.7%, Criminal Justice System 10%, Medicaid 11.7%, Human Services 7.5% and all other expenditures 12.3%. Mr. Cowgill discussed the concept of structural imbalance. He then discussed how this concept affects carryover and year end balances for the state budget. Finally he briefly discussed where future new money will come from and how it will be used within the budget.

Senator Boswell asked how the receipt increases will effect the state's bond rating. Mr. Cowgill replied that Kentucky's strong economic outlook, and the large carryover, which will reduce the amount of money the state will need to borrow, will have a positive effect on our bond rating. Representative Wayne asked if the anticipated lower revenue receipt in the future will be a strain on future budgets. Mr. Cowgill answered that yes, future lower revenue receipts will make the budgeting process more difficult.

Senator Stivers asked what the projected growth rate needed to balance the budgets. Mr. Cowgill replied that the current budget is balanced and Mr. Harkenrider stated that he does not have the projected future growth rates and he will forward that information to the committee. Senator Stivers then asked if the receipts for the motor fuels tax could be broken down into regular fuel, commercial diesel and non-commercial diesel. It was stated that the Department of Revenue has this information, but the Budget Director's office will make their best estimates and provide that information to the committee.

Next, Commissioner Jerry Miller of the Department of Parks addressed the committee about strengthening the state's park system and needed parks projects. Commissioner Miller compared Kentucky's park system to other states, stating that Kentucky ranks first in the number of resorts and lodge rooms. Kentucky ranks second in golf courses and third in the number of restaurants, marinas, pools and total revenue generated. Kentucky is one of only six states nationwide that do not charge access fees to visitors.

Commissioner Miller discussed the Department's five priorities, which are: 1)

protecting the natural beauty and historical significance; 2) developing employees; 3) maintaining buildings and recreation facilities; 4) becoming more financially self-sufficient; and 5) attaining 100% visitor satisfaction. He discussed various ways Kentucky is promoting the state park system, including on-line reservations, state park gift cards, improved resort services such as wireless internet, increased group sales, and creative marketing partnerships with companies like Toyota and Pepsi.

Commissioner Miller discussed projects which have been funded out of the \$35 million renovation pool that was included in the 2005 budget. He stated that \$9 million had been spent on lodging renovations and upgrades, \$2 million on technology improvement, \$3 million on recreation equipment, \$2 million on historical preservation, and \$11 million on golf courses. Commissioner Miller stated that capital decisions affect future operating deficits. He said that the average resort park loses \$580,000 per year and the average recreation park loses \$288,000 per year. In 2006 overall revenues increased by 2.2%, but expenses have increased by 4.9%. To meet this imbalance, the Department took in a \$2 million one time transfer. He discussed the park system's pressing need for \$2.5 million to replace aging equipment, which is costly to maintain.

Commissioner Miller discussed the status of campgrounds in the state park system. Consultants hired by the Department have suggested the several ways to make state park campgrounds more profitable. He said that the consultants suggested raising the campsite rates and modernization of campsites to improve facilities and to accommodate larger recreational vehicles.

Commissioner Miller then discussed the Kentucky Horse Park hotel project. He stated this project is a dramatic display of how state money can be leveraged to attract private investment. It is anticipated that once the hotel opens the state will have received approximately \$600,000 of infrastructure improvements.

Finally, Commissioner Miller discussed the department's \$60 million development pool. He stated that the list of proposed projects will be evaluated based on criteria that includes the return on taxpayer investment, keeping existing facilities in good repair, providing assistance to private developers to build new facilities that fill a void in the market and will provide income to the park.

Senator Boswell asked if there is enough money budgeted to secure and maintain historic properties. Commissioner Miller replied that the department spent \$2 million which covered many significant needs. My Old Kentucky Home is currently under restoration. This project is funded by private and federal funds, and no state money has been expended on the restoration.

Representative Webb asked to receive a copy of the consultant's report to the department. Representative Webb then asked if one of the recommendations was raising camp site rates and expanding the number of camp sites. Commissioner

Miller responded that the consultant recommended enhancing 40% of the states campsites and raising rates on those sites. The remaining 60% should remain low cost. He stated that the department is investigating the possibility of increasing the number of sites in the state.

Representative Clark asked Commissioner Miller to send the committee a list of how the \$35 million budget and \$60 million development pool has been spent by the department. He also requested the department send more information to the committee regarding the privatization model being looked at by the department, and additional information regarding the privatization agreement for the Horse Park hotel.

Representative Pasley asked if line item projects will be given priority to receive funding from the \$60 million development pool. Commissioner Miller said that the first priority is land acquisition at Big Bone Lick. The second priority is \$1 million for a matching grant at E.P. Tom Sawyer park. Beyond this, the Lake Barkley and Kentucky Dam Village lodges are in desperate need of renovation. He stated that as much as possible will be done on the line items.

Representative Moberly asked if consideration is being given to the room rates charged by private hotels that are built on state park property. Commissioner Miller replied that room rates will be considered on state park property.

Representative Moberly informed the committee members that Secretary Strong will update the committee on economic development in the state at a later meeting.

Finally, Secretary John Farris of the Finance and Administration Cabinet and Commissioner Marian Davis of the Department of Revenue discussed the Department of Revenue reorganization. Commissioner Davis outlined the details of the reorganization, which will create a special investigations division, make changes in the ombudsman office, and abolish the Division of Legislative Services.

Representative Webb asked if the new Office of Special Investigation has police powers. Commissioner Davis replied they do not.

There being no further business, the meeting was adjourned at 3:10 p.m.

Interim Joint Committee on Appropriations and Revenue Budget Review Subcommittee on Economic Development and Tourism, Natural Resources and Environmental Protection Minutes of the 1st Meeting of the 2006 Interim July 27, 2006

The 1st meeting of the Budget Review Subcommittee on Economic Development and Tourism, Natural Resources and Environmental Protection of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, July 27, 2006, at 10:00 AM, in Room 131 of the Capitol Annex. Representative John Arnold, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ernie Harris, Co-Chair; Representative John Arnold, Co-Chair; Senators Alice Forgy Kerr and Richie Sanders; Representatives Larry Clark, Jim Gooch, Dennis Keene, Ruth Ann Palumbo, Arnold Simpson, Tommy Thompson, John Vincent, and Susan Westrom.

Guests: Franklin Reed, Director, Division of Safety Analysis, Training and Certification, Department of Natural Resources; Steve Coleman, Director, Division of Conservation, Department of Natural Resources; Rick Bender, Director, Division of Oil and Gas Conservation, Department of Natural Resources; Corden Porter, Deputy Commissioner, Department of Labor; Stephen Morrison, Executive Director, Office of Occupational Safety and Health, Department of Labor; Chris Smith, Executive Director, Office of Workplace Standards, Department of Labor; and Tom Cannady, Executive Director, Office of Labor, Management Relations and Mediation, Department of Labor.

LRC Staff: Jack McNear, Jeffery Hancock, Kevin Mason, Tom Willis, and Spring Emerson.

Chairman Arnold welcomed Franklin Reed, Director, Division of Safety Analysis, Training and Certification, Office of Mine Safety and Licensing, Department of Natural Resources, who gave a brief presentation outlining the mission and daily operations of that agency.

Chairman Arnold asked if the self-contained self-rescuers (SCSRs) operate for a long enough time. Mr. Reed replied that they have a shelf life of ten years that can become outdated, there can be physical damage to the cases, straps, etc., heat and moisture sensors could be activated, etc. He added that acoustic shake tests are performed on the devices.

Chairman Arnold asked if the devices are inspected on a regular schedule. Mr. Reed replied that the manufacturer recommends they be inspected every 90 days, adding that inspections are done more frequently than that.

Representative Clark asked if the mandatory tank inspections are documented. Mr. Reed replied in the affirmative, explaining that some have private companies to perform the inspections.

Representative Clark inquired if it is mandatory for miners to have safety training. Mr. Reed replied in the affirmative, adding that there are many different types of safety training required.

Chairman Arnold thanked Mr. Reed for coming before the committee and welcomed the next presenter, Steve Coleman, Director, Division of Conservation, Department of Natural Resources, to come forward.

Mr. Coleman gave a brief presentation outlining the mission and daily operations of the Division of Conservation.

Chairman Arnold asked why Logan County is divided into two conservation districts. Mr. Coleman replied that legislation was enacted to allow the consolidation of the two, but the parties involved have not chosen to do so.

Chairman Arnold expressed his appreciation for the conservation coopera-

tive in his district.

Representative Thompson if there is a maximum amount appropriated for the Stewardship Program. Mr. Coleman replied in the affirmative, adding that if agronomic it is a 75/25 split. Representative Palumbo asked if we have met the match. Mr. Coleman replied that we have not.

Representative Palumbo requested that a list of priorities be provided to the committee. Mr. Coleman agreed to provide the information at a later date.

Chairman Arnold thanked Mr. Coleman and then asked Mr. Rick Bender, Director, Division of Oil and Gas Conservation, Department of Natural Resources, to come forward.

Mr. Bender gave a brief presentation outlining the mission and daily operations of the Division of Oil and Gas Conservation.

Chairman Arnold asked if the amount collected in fees from requests for new licenses would offset the cost of personnel. Mr. Bender replied in the affirmative, adding that fees continue to increase. Chairman Arnold commended the Division for their performance.

Representative Thompson asked if out-of-state entities are involved. Mr. Bender replied that 90% are from in-state business, adding that there some new operators in the state, with more outside companies coming in.

Chairman Arnold asked if it was correct that there are no applications for drilling coal bed methane. Mr. Bender replied that is correct.

Representative Gooch asked if there is interest primarily for gas companies in Western Kentucky. Mr. Bender replied that there is some interest.

Chairman Arnold thanked Mr. Bender for his presentation. He then invited Mr. Corden Porter, Deputy Commissioner of the Department of Labor, to come forward.

Deputy Commissioner Porter gave a brief presentation outlining the mission of the Department of Labor and its various divisions.

Representative Simpson asked for elaboration on the issue of fair pay. Mr. Porter replied that the issue would be explained in more detail in the presentation of the Office of Workplace Standards.

Representative Simpson inquired about the Hispanic population in Kentucky's agricultural community. Mr. Porter stated that he couldn't speak for the agricultural community. Representative Simpson asked if bilingual communication is required for those issuing permits for residential construction. Mr. Porter replied that is correct. Representative Simpson asked about the responsibility for ascertaining if immigrants are legal. Mr. Porter replied that it is the responsibility of the federal government.

Chairman Arnold thanked Mr. Porter, then welcomed Stephan Morrison, Executive Director of the Office of Occupational Safety and Health, and asked him to step forward.

Mr. Morrison gave a brief presentation outlining the mission and daily operations of the Office of Occupational Safety and Health (KOSH).

Chairman Harris asked if Kentucky has input into federal changes in standards. Mr. Morrison replied that some input is given, because all states have delegates, adding that meetings are held three times per year with other states. He went on to say that the state plan is required to be "as effective as" federal regulations, or it can be more effective, in regard to such things as reporting requirements, etc.

Chairman Harris asked if KOSH has limited authority in agricultural issues. Mr. Morrison replied that it has none.

Chairman Harris remarked that it is a tough job and commended Mr. Morrison and his staff for their hard work. He then invited Chris Smith, Executive Director, Office of Workplace Standards, Department of Labor, to come before the committee.

Mr. Smith gave a brief presentation outlining the mission and daily operations of the Office of Workplace Standards (OWS).

Chairman Harris asked if the OWS investigates worker's comp fraud. Mr. Smith replied that they do not have the authority to conduct investigations, however, they do work closely with the Attorney General's office.

Chairman Arnold inquired about complaints from citizens. Mr. Smith answered that the majority of citizen complaints come from employees across the state. Chairman Arnold asked for an example. Mr. Smith said that most complaints are from employees who have quit or have been terminated and have not received a check within the appropriate amount of time.

Representative Simpson asked for numbers of overtime violations listed by type. Mr. Smith replied that there were over 1,700 violations reported last year, and will provide a breakdown of the violations by type to the committee at a later date.

Representative Simpson asked if there are complaints regarding the issue of exempt versus non-exempt employees. Mr. Smith replied in the affirmative, adding that these take longer to investigate.

Representative Simpson asked if a proactive stance is taken. Mr. Smith replied in the affirmative, adding that an attempt is being made to better educate employers.

Chairman Arnold thanked Mr. Smith for his presentation. He then invited Mr. Tom Cannady, Executive Director, Office of Labor, Management Relations and Mediation, Department of Labor, to come forward.

Mr. Cannady gave a brief presentation of the mission and daily operations of the Office of Labor, Management Relations and Mediation.

Chairman Arnold inquired about calls coming into the office and how busy they are. Mr. Cannady replied that they are very busy, especially at this time of year, due to the annual Kentucky Labor-Management Conference to be held this fall.

Chairman Arnold asked about the location of the conference. Mr. Cannady replied that it is to be held at Kentucky Dam Village. Representative Clark expressed his thanks for keeping the conference at that location.

Chairman Arnold thanked all the guests for appearing before the committee. He then announced that the next meeting is tentatively scheduled for August 24, 2006.

There being no further business, the meeting was adjourned at 11:35 A.M.

Interim Joint Committee on Banking and Insurance Minutes of the 1st Meeting of the 2006 Interim July 25, 2006

The 1st meeting of the Interim Joint Committee on Banking and Insurance was held on Tuesday, July 25, 2006, at 10:00 AM, in Room 149 of the Capitol Annex. Senator Tom Buford, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Tom Buford, Co-Chair; Representative James E Bruce, Co-Chair; Senators Julie Denton, Ernie Harris, Gerald A Neal, Richard "Dick" Roeding, Representatives James R Comer Jr, Ron Crimm, Robert R Damron, Mike Denham, Ted "Teddy" Edmonds, Danny R Ford, Jim Gooch Jr, J R Gray, Mike Harmon, Jimmy Higdon, Dennis Horlander, Dennis Keene, Rick W Rand, Steve Riggs, Brandon D Smith, Tommy Thompson, Ken Upchurch, Ron Weston, Susan Westrom, Rob Wilkey, and Addia Wuchner.

Guests: Julie McPeak, Executive Director, Office of Insurance, John Wilkerson, Kentucky Education Association, Brent McKim, Jefferson County Teachers Association, and Charles Wells, Kentucky Association of State Employees.

LRC Staff: Greg Freedman, Rhonda Franklin and Jamie Griffin.

Julie McPeak, Executive Director, Office of Insurance, addressed the committee regarding the Interstate Insurance Product Regulation Compact(compact) HB 112 adopted by the 2006 General Assembly. She stated that the Interstate Compact is an agreement among the states to create a central point of filing for rate and form approval of: life insurance; annuities; disability; and long term care. The compact was developed by insurance regulators with participation from state legislators, state attorneys general, industry and consumers. The Compact addresses the need to strengthen the state-based system of insurance regulation. She stated that it enhances the speed and efficiency of regulatory approval, creates uniform product standards and allows companies to compete more effectively in the modern financial marketplace. Ms. McPeak stated that in order to join the Compact, states must pass model legislation, without amendments. She stated the Compact is effective when enabling legislation is enacted in 26 states or states representing 40% of the life insurance annuity premium volume. Kentucky was the 22nd state to join the compact with the passage of House Bill 112. She stated that there are currently 27 states that have joined the compact and legislation is pending in 10 other states. She stated that the general operation of the compact consists of a commission, management committee, leg-

islative committee, consumer advisory committee, insurance industry advisory committee and 4 permanent staff. She stated that the NAIC(National Association of Insurance Commissioners) provided \$500,000 as initial start-up money. Insurers that choose to file products through the compact will pay a compact fee in addition to state filing fees. The commission location is still being determined, but, could possibly be housed with the NAIC offices in Washington, D.C.. The current plan is to have the Compact operational by January 1, 2007. Ms. McPeak pointed out that state legislatures must enact the Compact model act to join, legislative committees receive written notice of uniform standards before the commission may adopt the standards, the Compact establishes a legislative committee of state legislators or their designees to monitor the operations of the commission and make recommendations to the commission, state legislatures may opt-out of a uniform standard for any product line at any time through legislation or administrative regulation and the commission must report annually to the legislatures and governor of each member state.

Representative Ron Crimm asked if each state is responsible for set up of the compact.

Ms. McPeak stated yes.

Representative Mike Harmon asked if in the future health insurance products will be included in the compact.

Ms. McPeak stated that it had been debated, but will be more difficult than life products.

Chris Corbin, Executive Director, Office of Health Policy, addressed the committee regarding the ICARE Program (Insurance Coverage, Affordability and Relief to small Employers Program), he stated that ICARE will start as a pilot in the small group market effective January 1, 2007, he stated that there are an estimated 20,000 individuals and 4,000 businesses that could benefit based on budget numbers. He stated that the budget is \$20 million over the next biennium with \$6.5 million in the first year and \$13.5 million the second year. He stated that enrollment may be limited. He briefly described the program and which small employers would be qualified to participate, as well as the participating insurer requirements. He stated that the implementation plan has already been put in place. He stated that the Office of Insurance will begin with education and outreach. Meeting with agents in June and insurers in July, information regarding ICARE has been posted to the Office of Insurance website. He stated that preliminary drafts have been prepared for the promulgation of Administrative Regulations and the employer application for ICARE

Representative Mike Denham asked if they are going to try to make sure that all small businesses are aware of this program.

Mr. Corbin stated yes. He said they are planning to make them aware of the program through agents and business associations.

Representative Danny Ford asked how long the program is going to be funded.

Mr. Corbin stated that the budget for the program will expire in two years.

Representative Jimmy Higdon stated that he really hoped that every effort will be made to reach the rural areas.

Ms. McPeak stated that they have a brochure that will be distributed at every opportunity and if needed the Office of Insurance will go to an area and meet with the small business owners.

Frances Steenbergen, President, Kentucky Education Association (KEA), addressed the committee regarding the members of the KEA experience with the self-insured plan so far, and any concerns the KEA may have about the future of the plan. She stated there was some confusion with the plan in the beginning regarding how benefits are administered. She stated a new third party administrator and requirement, for generic drugs were some of the problems in the beginning. She stated that there is more consistency now. She stated they do have some concerns regarding the plan and are willing to work with the General Assembly to address those problems in order to ensure the long term viability of this essential benefit.

Charles Wells, Kentucky Association of State Employees, stated that his association is pleased with the self-insurance plan with minor concerns including a possible increase in co-pays for state employees for the 2007 plan year. He stated that many state employees cannot afford an increase.

John Wilkerson, Kentucky Education Association, stated that they are very willing to work with the administration and the General Assembly on the plan for the 2007 open enrollment and monitor any proposed legislation.

The meeting adjourned.

Interim Joint Committee on Banking and Insurance Minutes of the 2nd Meeting of the 2006 Interim August 22, 2006

The 2nd meeting of the Interim Joint Committee on Banking and Insurance was held on Tuesday, August 22, 2006, at 10:00 AM, in Room 149 of the Capitol Annex. Senator Tom Buford, Co-Chair, and Representative James Bruce, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Tom Buford, Co-Chair; Representative James E Bruce, Co-Chair; Senators Julie Denton, Ernie Harris, Gerald A Neal, Richard "Dick" Roeding, Dan Seum, and Tim Shaughnessy; Representatives James R Comer Jr, Ron Crimm, Robert R Damron, Mike Denham, Ted "Teddy" Edmonds, Joseph M Fischer, Danny R Ford, Jim Gooch Jr, J R Gray, Mike Harmon, Jimmy Higdon, Dennis Horlander, Dennis Keene, Charles E Meade, Rick W Rand, Frank Rasche, Steve Riggs, Brandon D Smith, Ken Upchurch, Ron Weston, Rob Wilkey, and Addia Wuchner.

Guests: Cordell Lawrence, Executive Director, Office of Financial Institutions;

Joyce Hagen, President, Passport Health Plan; and Bill Wagner, Chairman, Passport Health Plan Partnership Council.

LRC Staff: Greg Freedman, Rhonda Franklin, and Jamie Griffin.

The minutes from the July 25, 2006, meeting were approved.

Cordell Lawrence, Executive Director, Office of Financial Institutions, addressed the committee regarding Senate Bill 123 and the preparations being made to license money transmitters. He stated that there are 10 licensed entities, with 10 being reviewed and they expect an additional 25 applications. He gave the committee a brief update on the Financial Literacy 2010 program. He also updated the committee on the growth of the Check Cashing/Deferred Deposit company business in Kentucky since the passage of the 1998 legislation. He stated that the number of businesses has grown from 307 in 1998 to 720 as of June 30, 2006. He stated that there needs to be stronger enforcement power given to the Office of Financial Institutions with respect to check cashing businesses in Kentucky. He stated that internet payday lenders have become a problem and they have received many complaints regarding those. He also stated that the Department of Defense is investigating the use of these businesses by military personnel. He stated that the military base at Fort Campbell, Kentucky is specifically mentioned in the study by the Department of Defense.

Representative Jim Bruce stated that the annual interest rate charged by these businesses is about 460%.

Senator Dan Seum stated that there is a necessity for the payday lenders. He stated that people who use payday lenders usually cannot obtain a loan at a bank.

Shannon Turner, Passport Health Plan, introduced Joyce Hagen, President, Passport Health Plan and Bill Wagner, Chairman, Passport Health Plan Partnership Council, to the committee.

Bill Wagner stated that Passport is the only Medicaid partnership in the state. He stated the first member was enrolled in 1997, it covers a 16 county region and they serve 135,000 Medicaid and K-CHIP members.

Joyce Hagen stated that she is very proud of the Passport plan and it's success. She stated that it is a not-for-profit company. She gave the committee a brief update on the plan and stated that providers and members are highly satisfied with the program and there are documented savings for the Commonwealth and tax payers of Kentucky.

Representative Steve Riggs asked what would have to be done to expand services to other counties.

Shannon Turner stated that a waiver would have to be expanded from the Cabinet for Health Services to include other counties in the state.

Representative Jim Bruce made the motion for Mark Birdwhistell, Secretary, Cabinet for Health Services, to enter into discussion with Passport Health Plan to expand their plan to the remainder of the state. Representative Brandon Smith seconded the motion.

The meeting adjourned.

Interim Joint Committee on Education

Minutes of the 2nd Meeting of the 2006 Interim August 7, 2006

The second meeting of the Interim Joint Committee on Education was held on Monday, August 7, 2006, at 12:30 PM, in Room 154 of the Capitol Annex. Representative Frank Rasche, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ken Winters, Co-Chair; Representative Frank Rasche, Co-Chair; Senators Walter Blevins Jr., Brett Guthrie, Alice Forgy Kerr, Vernie McGaha, Gerald A. Neal, R.J. Palmer II, Tim Shaughnessy, Gary Tapp, Johnny Ray Turner, Jack Westwood, and David L. Williams; Representatives Mike Cherry, Hubert Collins, Jim DeCesare, Jon Draud, Ted “Teddy” Edmonds, C.B. Embry Jr., Bill Farmer, Derrick Graham, Mary Harper, Mary Lou Marzian, Reginald K. Meeks, Charles Miller, Harry Moberly Jr., Russ Mobley, Rick G. Nelson, Darryl T. Owens, Tom Riner, Terry Shelton, Charles L. Siler, Arnold Simpson, Kathy W. Stein, Ron Weston, and Addia Wuchner.

LRC Staff: Audrey Carr, Sandy Deaton, Jonathan Lowe, Janet Stevens, Zach Webb, and Lisa Moore.

Representative Rasche called the meeting to order at 12:35 p.m. Representative Edmonds made the motion to approve the minutes of June 12, 2006, and Representative Collins seconded the motion. The motion was approved by voice vote.

Representative Edmonds reported on the meeting of the Subcommittee on Elementary and Secondary Education. The subcommittee heard a report on secondary career and technical education presented by Ms. Laura Emberton Owens, Deputy Secretary of the Education Cabinet. She shared how the Education Cabinet envisions the role of secondary career and technical education in meeting Kentucky’s workforce needs. He shared the mission, and said the department is working hard to change the career and technical image, since many times those immediate needs careers do not require a degree program. The same topic will be discussed at a future meeting.

Representative Siler reported on the meeting of the Subcommittee on Postsecondary Education. He said Dr. Phil Rogers, Executive Director, Education Professional Standards Board (EPSB), discussed the postsecondary teacher preparation program in Kentucky, and the training of educational leaders. Dr. Rogers also gave a general overview of teacher and principal preparation in Kentucky. A highlight of the meeting was to learn that Kentucky has made progress in implementing alternative certification programs, with seven different routes from which to choose. He commented that 156 school districts have at least one person who has become certified utilizing an alternative program. Dr. Rogers discussed the work mandated by House Joint Resolution 214 to establish an interagency taskforce to collaborate

with public and private postsecondary education institutions for the redesign of preparation programs, and the professional development of educational leaders. The task force is meeting and plans to present its recommendations in the fall of 2007.

Representative Rasche urged members to stay for the meeting of the Subcommittee on Assistance immediately upon adjournment for a presentation by Dr. Robert Barr from Boise, Idaho, on how to ensure that all students learn. He introduced Mr. Tom Layzell, President, Council on Postsecondary Education (CPE), who discussed how Kentucky would reach its postsecondary education goals by 2020. He thanked the committee members for the 20 percent increase in base funding that was approved in the 2006 Regular Session.

Mr. Layzell introduced some new staff members at the CPE: Mr. Alan Lind, Vice President for Information Technology and Chief Executive Officer of the Kentucky Virtual University; Ms. Sarah Hawker, Vice President, Department for Adult Education and Literacy; and Mr. John Hayek, Associate Vice President for Planning and Performance.

Mr. Layzell discussed the fundamentals of 1997 House Bill 1 and 2001 Senate Bill 1. He said enrollment in public and the independent four-year institutions was flat between 1991 and 1998. Since reform, there has been a 9 percent increase in enrollments. The percent of students who received degrees between 1991 and 1998 was 12 percent, and this number increased to 23 percent between 1998 and 2005.

Mr. Layzell said one of the most successful components of House Bill 1 was the creation of the Kentucky Community Technical College System (KCTCS). There was a 39 percent increase in associate degrees since 1997.

Mr. Layzell discussed adult education and literacy, which the CPE oversees on a day-to-day basis since reorganizing agencies by executive order. The General Equivalent Diploma (GED) recipients attending college increased 58 percent from 1998 to 2002, and the GED enrollments have increased 144 percent between 2000 and 2005.

Mr. Layzell said federal research and development funds have increased significantly from 62 percent in 1992-1998 to 157 percent in 1998-2004. The two major research universities, the University of Kentucky and the University of Louisville, are striving to become nationally-recognized research institutions. Both universities have made progress, but are way behind the universities with which they are competing.

Mr. Layzell said despite the fifth largest percentage increase in educational attainment in the nation from 1990 to 2000, Kentucky remains 47th in adults with at least a bachelor’s degree. Despite a 29 percent increase since 1998, Kentucky remains 43rd in per capita income.

Mr. Layzell discussed the link between education and income. He said states with a low proportion of bachelor’s degrees have a low per capita income, and states with a high proportion of bachelor’s

degrees have a high per capita income.

Representative Owens asked about the growth in enrollment and the goal of doubling the baccalaureate degrees in a certain time period. He wondered if there was any information disaggregated by ethnic or race and enrollments because data shows there is a significant link between education and income. Mr. Layzell said the African-American group is the largest minority in Kentucky’s postsecondary institutions, and their enrollment is in the eight to nine percent range. He also said there was a 68 percent increase in degrees awarded to African-Americans over the past four years.

Representative Owens commented on the five key questions for Kentucky’s public agenda, and specifically question one which talks about preparation for college. He said there is a significant achievement gap, and asked what Kentucky can do to better prepare African-American students for college.

Mr. Layzell said several initiatives implemented by the General Assembly over the past few years will help students to be better prepared for college in the future. One of the most serious problems is the level of preparation in math for students. The General Assembly created a math achievement committee, and a statute trying to improve the level of math instruction. The Kentucky Department of Education (KDE) has adopted a single rigorous curriculum. He thinks the impact of this over time will help preparation levels of students for postsecondary education tremendously. He also mentioned the passage of Senate Bill 130 (2006 RS), which requires all juniors in high school to complete the ACT test, but more importantly, that legislation requires diagnosing deficiencies as early as middle school for students.

Mr. Layzell noted that CPE meets with the EPSB and the KDE on a regular basis. The CPE submitted a joint budget request with the KDE this year for the first time, which was funded in part by the General Assembly. He anticipates more joint requests being proposed to the General Assembly in the future.

Representative Marzian said it is discouraging to see Kentucky at the bottom of the 52 states, except for West Virginia, on the link between education and income, and the population with a bachelor’s degree or higher. She said the idea behind the “Bucks for Brains” programs was to bring the best and brightest people to Kentucky, in addition to generating research dollars. She said the federal research money is going to start to decline since the state has refused to invest in “Buck for Brains” the last four years. She said it is unrealistic to expect the universities to continue progressing when they are so underfunded. Mr. Layzell agreed that the universities need more revenue.

Representative Marzian asked if Mr. Layzell saw a decline of federal or research dollars coming into the state, or private money without funding the “Bucks for Brains” program. Mr. Layzell said Ms. Lee Nimmo could answer this in greater

detail, but he has heard talk of the tightening up of research dollars at the federal level, particularly in the last year because of concerns of the long-term impact. He said UK and U of L have both mounted pretty aggressive, private fund-raising efforts. He said not many funds were requested in 2006 for the “Bucks for Brains” program because when the budget was put together, there was still a lot of unmatched “Buck for Brains” dollars, but they have been matched now by both UK and U of L. Dr. Todd has said he would like to use “Bucks for Brains” dollars for research facilities, with the point being it is hard to attract top talent unless there are adequate facilities for them in which to work. Dr. Ramsey agrees, but desires to match the “Bucks for Brains” dollars to increase the number of personnel and build intellectual capital.

Representative Marzian said it is unfair to ask constituents to pay more tuition costs when the legislature has not lived up to its budget commitments. She said an increase of tuition costs for families at thirteen percent is just adding a tax. She said Kentucky needs to push for more research dollars.

Representative Riner asked if more students finish graduate degrees, such as master’s and doctor’s degrees. Mr. Layzell said Kentucky has seen an increase in graduate and professional enrollment, but he will have to get the exact numbers to him.

Senator Shaughnessy said good research and the ability for the state to build upon the progress achieved in the last few years is crucial to moving forward, but it is necessary to get public support for that agenda. He mentioned the cancer program at U of L and getting it accredited by the American Cancer Society. He would like for the council to speak to the importance of that goal. If Kentucky were to receive this accreditation, it would stand out and help so many people to fight this non-discriminatory disease right here at home without going to the Mayo Clinic or to Duke University. He also said that Kentucky could join North Carolina, as the second state in the south, to have two accredited programs within the boundaries of the state, and would be the only state in the south with both programs being offered at public institutions. He would like the council to speak to UK and U of L and show commitment for the cancer accreditation programs because the general population will be impacted by this and will see the benefit first-hand, thus driving support for the research agenda with the general public. Mr. Layzell said this was a good point, and the CPE would reaffirm its commitment to both institutions realizing NCI accreditations.

Senator Neal asked Mr. Layzell if he could project the costs needed from the legislature for education to be competitive with surrounding states. Mr. Layzell said the CPE is in the process of preparing cost projections, and is considering long-term costs statewide.

Senator Neal asked when the CPE would have the cost projections ready to disseminate to the legislature. Mr. Layzell

said CPE's target is to have the funding model in place by late spring to begin generating the budget for the Session of 2008. He urged the members to participate in the council's policy discussions as all input is welcome.

Mr. Hayek said the CPE is working on a project that will analyze Kentucky's educational rates, and Kentucky's is challenged to increase its ranking in this regard. The following questions are being looked at in this process: 1) Where is Kentucky now; 2) Where will Kentucky be with no change in policy or practice; 3) Where will the nation be in 2020; and 4) What is the gap?

Mr. Hayek said Kentucky's goal is to double the number of Kentuckians with at least a bachelor's degree by 2020. He said 800,000 bachelor's degrees are needed by 2020 for Kentucky to be at the national average of educational attainment. If Kentucky continues at its current pace, this leaves a gap of 211,000 bachelor's degree holders. Kentucky would need to increase a little less than one percent per year over the next fourteen years to converge with the national average. He noted that in 2000, Kentucky had five counties between 1990 and 2000 that increased their educational attainment rate over six percentage points, and these counties should be models for the state for best policies and practices. Kentucky was also at 70 percent of the national average in terms of educational attainment in 2000. This is the closest that Kentucky has been over the last sixty years.

Mr. Hayek discussed ways to close the gap. He said the first thing to do is to increase access to postsecondary education. Statewide undergraduate enrollment would need to increase sixty to seventy percent over the next 14 years. The number of high school graduates would have to increase from 40,000 to 48,000 in 2020. He also mentioned the 550,000 working age adults in Kentucky who have some college or an associate's degree. Kentucky must promote ways to get these people to re-enter the postsecondary education system.

Mr. Hayek said Kentucky must also improve its college going rate, and needs to be at 74 percent to be the top ranked state in 2020. He mentioned the vast number of adult learners, with Kentucky graduating nearly 10,000 GED graduates per year. If this group were added to the high school seniors going on to college, this would be a total of about 50,000 new students potentially entering into the postsecondary education system, with GED graduates being about 20 percent of that total.

Mr. Hayek said Kentucky needs to increase quality and productivity of its postsecondary institutions as enrollments and degrees increase. He mentioned that transfer students are not included in the six-year graduation rate, and these students will play an increasingly important role in Kentucky's system. Currently, there are approximately 4,000 students transferring from KCTCS to the four-year institutions, and the model suggests that this number will have to increase to over 11,000 in 2020 to reach Kentucky's educational goals.

Mr. Hayek said the final thing Kentucky has to do to close the gap is to promote research and regional stewardship. Kentucky will need more jobs in order to employ an additional 400,000 degree holders by attracting new companies into Kentucky. He also said that not all the new degree holders will have equal impact on Kentucky's per capita income. Degrees and jobs, particularly in science, technology, engineering, and math will be particularly important for economic development given that they are generally higher paying jobs.

Mr. Layzell said the CPE is doing several things to increase access to college. They are: implementing a new tuition policy and monitoring affordability; creating new financial aid opportunities for transfer students; providing outreach and support for at-risk populations (GEAR UP).

Mr. Layzell said the CPE is doing things to improve the college going rate. They are: brokering statewide agreements that remove transfer barriers; funding professional development partnerships that improve teacher quality; and spearheading curriculum alignment through statewide and local P-16 councils.

Mr. Layzell said the CPE is also doing additional things to increase quality and productivity and promote research and regional stewardship. These things are listed in detail in the meeting folder located in the Legislative Research Commission (LRC) library. He also said the postsecondary education institutions are implementing individual plans to close the gaps as well.

Mr. Layzell said Kentucky, to reach its 2020 goals, will require additional resources as well as increased productivity, efficiency, and collaboration. He stated some figures that were produced from the Kentucky Long-Term Policy Research Center about a year ago. He said if Kentucky were to achieve the national average of baccalaureate attainment, Kentucky would see a return of: an increase of \$5.3 billion in state revenue; an increase of \$71 billion in personal income. A bachelor's degree holder earns \$1 million more over a lifetime than a high school graduate. Kentucky would also have lower health-care and social service costs; and lower crime rates.

Representative Moberly said he had heard a presentation by Mr. Ron Crouch, University of Louisville, that implied that Kentucky does not have a high problem with getting students to enroll in college, but has tremendous trouble with retention and graduation rates, particularly as compared with other states. He asked what the CPE was doing to hold universities accountable for their retention and graduation rates.

Mr. Layzell said Kentucky has shown some increases in graduation rates since reform began from about 36 percent to 44 percent; however, Kentucky needs to get to the 60 percent range. He said the developmental educational task force is looking at what Kentucky should be doing that it is not doing now, and what recommendations need to be brought forward to the General Assembly for legislation or funding, or operational changes to improve the

graduation rate. He said the universities have devoted some effort to it, which the results show, but more needs to be done. He hopes the funding model will provide a more realistic estimate of what actually has to be done in terms of funding these programs, providing financial aid, or other interventions that Murray State University and the University of Kentucky currently do as the two leading universities in graduation rates in the state.

Representative Moberly asked if the recommendations from the task force would include some accountability for the universities, since there is none now. Mr. Layzell said he would not say that there is no accountability in place now for universities, as they have shown some results. He said more accountability needs to be in place, and said the CPE needs to focus on linking budget requests to performance.

Representative Moberly said it is hard for the General Assembly to gauge what progress Kentucky is making when there are no markers in place. He cannot find the accountability in the system that Mr. Layzell says is there, and said Kentucky still has some pretty bad numbers in the areas of graduation rates, retention rates, and remediation, but yet the General Assembly keeps appropriating money to the universities to spend as they please except for a few specified programs, such as regional stewardship. He does not think the CPE has done enough to bring some clarity to the accountability issue even though it has been discussed for years.

Mr. Layzell said he does not disagree with Representative Moberly that the CPE needs to bring more clarity to the accountability issue, however, the General Assembly has gotten some results from its investment. He said universities have spent the money in a way that has resulted in more enrollments, more degree production, and increases in graduation rates, and this did not happen by accident, but more needs to be done.

Representative Moberly asked what accountability would be in place for the regional stewardship program. Mr. Layzell said regional advisory councils have been created for each of these programs that will help determine the needs and assess the proposals, while the CPE will monitor the outcomes of those proposals. He asked Mr. Jim Applegate, CPE, to elaborate on the issue.

Mr. Applegate said the regional advisory councils will approve the plans and conclude what the goals are for the region, and the institutions will be responsible for providing a report to document that they have met the goals. He said there is a section within the funding that consist of competitive projects, and these will be reviewed and operate like a grant program, with future funding of the grants dependent upon whether or not the goals were met that are outlined in the competitive proposal.

Representative Moberly said he would like to see some projects that make a real difference in the regions, and do not just result in some report that sounds good, but does not amount to much. He said the CPE is responsible for ensuring

that Kentucky has good proposals, and that they are fulfilled. Mr. Layzell agreed.

Representative Moberly asked about the percentage number of the high school to college going rate. Mr. Applegate explained that 74 percent is the number that Kentucky needs to reach by 2020, and that Kentucky is currently ranked 10th in the college going rate.

Representative Moberly asked if Kentucky would have to be the top-ranked state in 2020 in order to meet its goals. Mr. Layzell said Kentucky would have to be at the national average to meet its educational attainment goals, and it is projected that at least 32 percent of Kentucky's population would hold bachelor's degrees. He said if Kentucky just reaches the national average, it will not be the top ranked state.

Representative Moberly asked if the CPE was looking at the educational needs of the whole state. Mr. Layzell said the regional stewardship program focuses on the needs of the regions in eastern and western Kentucky as well as the golden triangle region. He mentioned the retention and affordability initiative in the budget request to put money into areas of the state that have low educational attainment and poor and low median family income. Mr. Layzell said the CPE's strategy is to deal with the whole state, and not just the golden triangle, although some people believe that all the money should be invested into the golden triangle because it gives more return on investment. Representative Moberly said he appreciated Mr. Layzell's comments, but would like to see a manifestation of these comments within the funding recommendations as the affordability initiative and the regional stewardship budget initiatives were not very large. He hopes the programs work and can be expanded in the future, as does Mr. Layzell.

Senator Winters has been vocal about funding and believes that retention and graduation rates should be tied to pay for principals and university presidents. He also said that Kentucky needs to entice and inspire people who have bypassed college for work into returning to postsecondary education, whether this is done through financial means or through a public relations effort. He said there should not be that big of a gap from high school to college, and maybe in the future a 10 through 14 grade model program should be established.

Representative Draud commented on the retention rate and the uneasiness of meeting the goals of 2020. He said the best possibility that Kentucky has is to make big progress in the retention rate. He thinks there needs to be a drastic financial impact for universities who have good retention rates, and financial penalties for universities with poor retention rates. He wants the level of concern raised with this issue, or Kentucky stands no chance of meeting its goals of 2020.

Representative Meeks discussed the relevance on service jobs, and providing high-paying jobs to this new crop of college graduates coming up. Mr. Layzell said at least 60 percent of the jobs today re-

quire some form of postsecondary education, so this indicates there are more jobs than service jobs. He said Kentucky needs to provide high-tech jobs in order to attract new people to the state.

Representative Meeks said the trend in Louisville is that jobs are decreasing in industry, and increasing in the service sector. He asked what role the CPE plays in making the connection between where business plays a role in bringing the high-tech jobs to Kentucky and keeping them here.

Mr. Layzell said Mr. Gene Strong, Secretary of the Economic Development Cabinet, says that Kentucky has problems attracting high-tech businesses because of the low level educational attainments in the state. If the workforce population is not attractive to businesses, then new businesses will not move to the state.

Representative Meeks said the projected number of high school students in Kentucky is flat for the next few years. He said for this reason, Kentucky needs to focus on adult education, retention, reducing the drop-out rates, the immigrant population, and the African-American population. He asked how the legislature should fund and prioritize all of these very important issues.

Mr. Layzell said the CPE is going to adopt a set of preliminary planning parameters in September for each institution, and this will be a starting point for universities to really begin thinking about what areas they need funded in order to meet goals.

Senator Westwood asked what the current United States retention rate is. Mr. Layzell said United States average graduation rate is 50 to 55 percent. He said Murray State University and the University of Kentucky are both above the national average. Mr. Layzell believes Kentucky can get its graduation rate up closer to the national average.

With no further business before the committee, the meeting adjourned at 2:15 p.m.

Interim Joint Committee on Education

**Subcommittee on Assistance to Schools (2006 HCR 214)
Minutes of the 2nd Meeting
of the 2006 Interim
August 7, 2006**

The 2nd meeting of the Subcommittee on Assistance to Schools (2006 HCR 214) of the Interim Joint Committee on Education was held on Monday, August 7, 2006, immediately following the Interim Joint Committee on Education meeting in Room 154 of the Capitol Annex. Senator Jack Westwood, Chair, called the meeting to order and asked that the record reflect the members that were present at the Interim Joint Committee.

Present were:

Members: Senator Jack Westwood, Co-Chair; Representative Frank Rasche, Co-Chair; Senators Walter Blevins, Jr., Gary Tapp, and Ken Winters (ex-officio); Representatives Derrick Graham, Harry Moberly, Jr., and Charles L. Siler. Other members present, Representatives Arnold Simpson, Mike Cherry, Tom Riner, and

Addia Wuchner.

Guests: John Warren, KEA; Clyde Caudill, Legislative Liaison, KASA; Wayne Young, KASA; Alicia Sells, KSBA; Dick Innes, Bluegrass Institute; B. Brinly, Gene Wilhoit, Connie Lester, Barb Kennedy, Steve Schenck, and Linda Fravel, KDE; Mike Clark, LRC; Faurest Coogle, Senate Staff, and Ruth Webb, House Leadership Staff.

LRC Staff: Audrey Carr, Sandy Deaton, Janet Stevens, Zach Webb, and Marlene Rutherford.

A motion was made and seconded to approve the minutes of the June 12, 2006, as submitted, minutes were approved.

A presentation was made by Dr. Robert Barr, a nationally recognized educator and author whose work spans years of studying, teaching, researching, and consulting on how to help at-risk youth, school improvement, alternative education, and how to assist and intervene in low-performing, high-poverty schools.

Dr. Barr applauded Kentucky for initiating and revolutionizing education. He indicated that Kentucky is far ahead of most other states although it has a way to go. There is also a revolution occurring in educational research, moving toward a science of teaching and learning. Dr. Barr is co-author of a book "Saving Our Students, Saving Our Schools, containing fifty proven strategies for revitalizing at-risk students and low-performing schools. Another publication due out in the near future is "The Kids Left Behind - Catching Up the Underachieving Children of Poverty." There is an escalating level of achievement and skills that everyone must have to survive in an ever-changing world. The world of manual work is disappearing and we are entering the age of the mind. He said that he tells students that 80 percent of the fastest growing jobs require education beyond high school and 40 percent require at least an associate's degree. The language of the marketplace has changed, it is now mathematics. Algebra is needed in the eighth or ninth grades because there is not enough time during the high school years to receive the advanced mathematics that are the prerequisites to obtaining an associate's degree. There is a direct relationship in predicting income based on educational level. All students must achieve high academic performance or live their lives unemployed, under-employed, or unemployable. Dr. Barr said the challenge is to educate all students to high levels of academic proficiency. We must capitalize on the one resource that can be developed, human intelligence. We must focus on the development of math and science from the time children are small through graduate school. Poor children in the U.S. have great intellectual capabilities but we must invest them with strong education. There is a significant achievement gap between the poor and affluent, the issue is poverty. To get college enrollments up, educate the poor children and keep them in school. Nationally, the gap continues to grow at the high school level. Poor students arrive at school with less and schools give them less, including less qualified teachers. It is five times more

likely that poor children will have an inexperienced or unqualified teacher. Poor children can be educated and educated well. Anyone can be taught to read and it can be done in as little as twenty weeks. Schools manufacture low achievement or failure. Nationally, the achievement gap has been reduced at the elementary and middle level.

A high poverty school can become a high achieving school. Closing the gap on the poor and elevating the learning is what it is about.

Through research analyses, Dr. Barr concluded that to catch up kids left behind, there needs to be focus on effective school leadership, a better understanding of what poverty is, energies and resources focused on kids that are most needy, a monitoring of the curriculum, creation of a culture of data and assessment literacy, and a variety of instructional improvements. When teaching children today, some already know it, some because of good teaching will learn, some will almost "get it" and some will not learn at all. A child must be re-taught at a minimum each week so as not to put the child farther behind in the next week. Schools participating in his studies are being creative in reordering time in the school. One is a four-day academic week wherein students have to pass all tests and benchmarks and have all homework turned in by Thursday so that on Friday, the kids can do career exploration, service learning, or receive a "baptism" in remediation so that kids are back up to speed for the next week. Re-teaching is just as important as initial instruction and it has to be planned and carried out. There is a direct relationship to the amount of engagement of parents and student performance. You have to also support effective teaching. It is essential that teachers be retrained. Pressure needs to be put on teacher education universities, college programs so that graduates are armed with the research for teaching poor and minority children.

In gathering research and when working with schools with poor kids, researchers go into the homes of poverty-stricken students. Those living in poverty do not have computers, calculators, books, magazines, pencils or paper. Kids in these homes come out of an austere environment, void of educational stimulation and enrichment. When these children get to school, they are already behind. Poor kids are language poor when they get to school, they are not reading-ready. Poor kids need to be placed in a stimulating educational environment as soon as possible. Children in poverty have a dramatic loss in achievement over the summer. Over the course of the school year, the achievement gap between poor and affluent kids narrows because of good teaching. In summer, poor kids go back to the environment lacking in educational stimulation. Some communities have come up with programs to open schools during the summer so that children of poverty can continue to be stimulated, using the computers, receiving tutoring in reading and math, and using of the library. In addition, some schools provide some nutrition for them. These pro-

grams are essential because the student achievement rate will have dropped through the summer without the educational stimulation to keep them those students learning.

The school dropout rate can be predicted by the third grade. If a child is poor, goes to school with poor children, and has been retained, and is reading below grade level, there is a 90 percent probability that that student will drop out. All children and youth can learn the basics effectively, everyone can be taught to read, including teenagers and adults. All students, regardless of age, must be taught to read and compute. It may take longer and there is a cost.

In a number of high school programs, students skills in reading and math are assessed. If they are deficient, they are put into an intensive reading and math basic skills program for a period of time to improve their skills. They are then moved into the curriculum.

The greatest challenges faced by communities is student mobility. At every transition a careful assessment needs to be done to determine the students that arrive at school with basic skill problems. Parents need to keep the kids in school, but there needs to be school accountability to achieve great expectations. Poor kids need to get into school as soon as possible. The sooner an investment can be made in early childhood education, the more there is a long-term payoff. If a child is behind, he or she must have extra instructional time. A poor child that is behind may need a longer school day and school week in order to catch up and maintain skills. Parents need to understand that schools have to deliver extra time to catch kids up. Caring, demanding well-prepared teachers have high expectations. You have to have teachers that believe that kids can learn and then prepare those teachers with the skills necessary for being effective teachers. Teachers in high-poverty, high-performing schools have a strong commitment to education, give students extra time, show respect to the students, and have high expectations for their students. Dr. Barr said studies have shown that the one thing that leads to a spike in student achievement is teaching parents, especially parents of elementary age students, how they can teach their kids. The only way you can change a school is through rigorous accountability. High-poverty, high-performing schools have developed complex technical assistance programs for classrooms, schools and schools districts. They believe all kids can learn. Dr. Barr expressed support for Kentucky's scholastic audit. He said that technical assistance is not simple, but is a complex, comprehensive set of tasks. You cannot just replace a principal, or disburse the faculty and bring in new teachers. Parents, principals, school boards, and superintendents all have to work on very specific strategies, such math at the fifth grade level, reading at second. Schools have to be held accountable. You need intense, focused professional development of teachers, administrators, and school boards, providing teachers with added value technical

knowledge. He observed that in teacher education, there is not the passion or vision for providing teachers to do what they must do, which is teach reading or math. Everyone must work together, even the clergy, law enforcement, judges, businesses, parks and recreation in communities to understand what the school is trying to do and the role they each play. There has to be a will to teach kids and provide a high quality of education.

Dr. Barr indicated that Kentucky is a model in many states of what has been accomplished. Other states do not have the technical support that is available in Kentucky.

Representative Riner asked where does a child 25-30 years old go for help. Dr. Barr stated that you engage kids at the job level. Get those individuals into vocational programs that would lead to a job. Eighty percent of the individuals in prison are illiterate or seriously deficient in reading and math and over sixty percent are high school dropouts. You must engage their interests before you can teach them basic skills.

Representative Siler indicated it was good to hear an assessment from outside the state of what has been done right and that we should not undo what has been done right. People want to do what is expected of them, if they have respect for you. If a teacher expects a student to learn, he or she will learn, but if a teacher ignores a child, the child will not learn.

Senator Blevins indicated that poverty-stricken families should be given the tools, i.e. laptop and a phone line, to access the on-line courses discussed. Dr. Barr indicated that it is very expensive, but has been done in some places with a grant. He noted that computer usage is a basic skill. As costs decrease, designing ways that poor kids can have access at an early age is important.

Representative Moberly indicated that Dr. Barr had affirmed the state education reform act, the most important principle, "all children can learn and at high levels." He asked Dr. Barr whether there were areas that could be improved upon or done differently or better. Dr. Barr indicated that students that do not reach their learning levels in some systems are mandated to attend additional sessions. It is not that kids cannot learn, it is getting teachers to work hard to teach them and getting the kids to invest in the effort to learn. There is nothing more powerful than teachers believing in kids.

Chair Westwood indicated that the September meeting would include testimony from local high school principals of high poverty schools or schools with at-risk students, describing how they have changed practices and the assistance and interventions that have been necessary. The October meeting will include site visits in two school districts.

Chair Westwood made members aware of the background material for the study that had been provided to subcommittee members.

The meeting adjourned at 3:50 p.m.

Interim Joint Committee on Education

Subcommittee on Elementary and Secondary Education Minutes of the 2nd Meeting of the 2006 Interim August 7, 2006

The 2nd meeting of the Subcommittee on Elementary and Secondary Education of the Interim Joint Committee on Education was held on Monday August 7, 2006, at 10:05 AM, in Room 169 of the Capitol Annex. Senator Vernie McGaha, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Vernie McGaha, Co-Chair; Representative Ted "Teddy" Edmonds, Co-Chair; and Senator Jack Westwood; Representatives Mike Cherry, Hubert Collins, Jon Draud, Derrick Graham, Terry Shelton, Arnold Simpson, and Ron Weston.

Guests: Myra Wilson, Joyce Wogomon, Wayne King, John M. Marks, David Billingsley, Office of Career and Technical Education; Laura E. Owens, Education Cabinet; Rodney Kelly, Kentucky Department of Education; Wayne Young, KASA; Clyde Caudill, KASA, JCPS.

LRC Staff: Janet Stevens and Jo Ann Paulin.

Minutes of the June 12, 2006 meeting were approved without objection upon the motion of Senator Westwood and seconded by Representative Collins.

Chairman McGaha welcomed everyone to the meeting and said the meeting today would be focusing on career and technical education in Kentucky's secondary schools. Chairman McGaha said there are schools in many areas that are being short changed. This committee wants to continue to work toward providing an opportunity to those students in these schools. Chairman McGaha introduced Ms. Laura Owens, Deputy Secretary of the Education Cabinet.

Secretary Owens thanked the committee for the opportunity to speak today and she said she is the Deputy Secretary of the Education Cabinet as well as the acting Commissioner for Workforce Investment.

She said the mission of any school, whether it is vocational or traditional, is to provide students with more opportunities to learn to be productive citizens in the workforce. Secretary Owens said they are working to change the image of vocational technical education where people think that vocational education is for students that couldn't be in the higher level classes. Actually, the required reading level for career and technical education materials are at a higher level than a lot of college and other secondary material.

There are two agencies for secondary education that address career and technical education. One is the Office of Career and Technical Education in Workforce Investment Department. They have 55 area technology centers, referred to as KY Tech. The other agency is the Kentucky Department of Education. There are a great many differences between these operations, but the mission is very much the same. There

are policy areas in which both are working. One of these is dual credit courses. They believe that if a student takes a class in a high school program that is equivalent to a course at the postsecondary level, the student should receive credit. The student should not have to take that class again if the student meets the exit standards put out by the Kentucky Community and Technical College System (KCTCS). Secretary Owens said that she has met with Dr. Mike McCall on several occasions and KCTCS is addressing this problem, but not very quickly.

One issue they found that is the greatest hindrance is that KCTCS has an independent board. Some KCTCS colleges work wonderfully with the secondary schools and help them set the curriculum together. Others do not work that well and easily together. KY Tech teachers have a little more flexibility because they are state employees. Therefore, they don't have to go through a site-based council to come up with many of the things that they do, as do local board of education schools. KY Tech schools are able to be crafted around community needs and that seems to be critical.

Secretary Owens said that when she met with this subcommittee two and a half years ago, the talk then was to be seamless from elementary, middle school, high school, and on to postsecondary education. It struck her as odd then that they were working on simply 16 years and no one ever asked the question loudly or often enough, "What about the next 50 years? Are we meeting the needs of the workforce?" That is what they intend to do through education. She said they are crafting a study that will be put out by the Kentucky Workforce and Investment Board that will be sent out across the state to ask just those questions and to compare them with the KDE standards and to see if they are meeting the needs of Kentuckians across the workforce. Secretary Owens said that they are able to bring people to the table to hire principals. Recently, in Marion County they brought in economic development folks from Springfield and Lebanon because they wanted to make sure they were offering the needed classes.

Secretary Owens described a coal project in Pike County schools in which students will be certified in four independent areas. This will give students the ability to go on to KCTCS and the Coal Academy to begin an entry level position, ahead of the game.

Representative Collins said the students need more lab time in order to get a better understanding of the equipment needed for these technical areas. Secretary Owens said that she totally agreed.

Representative Draud asked what the hold up was in regard to the issue of dual credit. He said he couldn't understand why they can't get moving. This is very important to the students. There are some areas in the state that have made great progress. He asked who is holding this up. Secretary Owens said that she agreed and that would be a question to propose to Dr. McCall. Representative

Draud said that he knew that Northern Kentucky University and Gateway have put together a good program and he asked whether other parts of the states had done so. Secretary Owens said that they have not. He asked if she knew the percentage. Secretary Owens said they could give more specifics later. She said that Northern Kentucky and Gateway along with Big Sandy have worked together very well. Representative Draud said the university presidents need to get their act together because this is just not right for the students and their parents. He said it shouldn't have to be the university presidents, but if it takes them, they need to get it done. Secretary Owens said that she agreed.

Senator McGaha said that it was a critical issue and, with the emphasis that has been put on dual credits, it is something that needs to be discussed. He said that they need to bring Dr. McCall and the people from KCTCS here before the committee to discuss this. Secretary Owens said that there had been two studies last year that made recommendations for what needed to change regarding dual credits. As far as the secondary part goes, she said they don't want anything to be minimized. She said they just need to know what they expect and they will meet the same standards and criteria. They need something consistent. The Kentucky Department of Education has put together a task force, not just for vocational education, but to address dual credit across the entire state.

Representative Edmonds said that about four years ago the committee questioned Dr. Mike McCall very straight forward about trying to do a better on improving the relationship between the community colleges, vocational education, and secondary education. Representative Edmonds said he and his wife have 17 years of experience. Eleven have been as a board member and right now his wife is vice chair of Hazard Community College Board of Directors. He said they know a little bit of what is going on. He finds that KCTCS is paying lip service in this area and doing little as a follow-up on trying to help. He said that they had a coal company that needed some welders and people could make \$25 to \$35 an hour. He said that after several months of negotiations, he doesn't know if they ever got the welding class or not. That is bad public relations and it is damaging to members of the General Assembly, because they are saying that they are doing everything that can be done. He said he would like to see some of the members of the legislature participate in some of the meetings with KCTCS and especially this committee. He asked what percent of the students that leave high school go straight into the workforce. Mr. Kelly said about 60 percent. Representative Edmonds said that they are doing them a disservice when they don't make more of an effort to help them.

Mr. Rodney Kelly, Director of Secondary Career and Technical Education (KDE), said that he wanted to clarify that 60 percent go on to postsecondary education. About 20 percent go directly into the workforce. Senator McGaha said 20 or 30 percent go immediately into the workforce,

but a year later, how many more go. Mr. Kelly said 25 percent drop out of postsecondary education the first year. Senator McGaha asked about the year after that. Mr. Kelly said probably another 25 percent.

Representative Collins said that another thing he had a complaint about is that some of the students just want a certificate to go into the workforce. For the KCTCS not to allow that to happen is a big mistake. Senator McGaha said that to address the immediate need of the workforce, often does not require a two-year degree certificate. Many businesses are screaming. He said he just attended a meeting last week of business men in his area, because they have a need, but that need is not being addressed. They are looking at setting something up on their own. They have already raised approximately \$100,000 to set up a regional group to train their own and he said that is an embarrassment. Secretary Owens said it is essential that these programs be community-driven. She said that she learned from Senator McGaha that houseboat welders have to do bead welding. She said that she also learned that when you are in the coal mines you do pipe welding. We need to address the needs of communities, but most importantly we need to address the needs of students. We don't need more cookie cutter programs. We need to do design programs individually for a particular area of the state. She said they appreciate the support of the General Assembly.

Senator McGaha introduced David Billingsley, Executive Director, of the Office of Career and Technical Education, and Rodney Kelly. Mr. Billingsley said he wanted to give the committee a progress report on the Access Study and Accountability. He said the purpose of the study was to identify geographic areas of high need and high demand of occupational programs. As a result of the study and a lot of research on state and national projects, he identified the high need occupational areas and he highlighted the priority levels explaining what school districts were in the red priority levels. The report is a part of this record. He said that Health Sciences and Information Technology (IT) were the top two occupational areas of need, nationwide, as well as in the state. The Bureau of Labor Statistics stated about five years ago that IT had about eight of the top ten positions and Health Sciences held the other two. Now it is reversed and Health Sciences holds eight of the top ten.

Mr. Billingsley said that as a result of this study there were three levels determined as priority levels in the school districts that lacked career and technical education. The three levels are red, yellow, and green with red being the highest priority. Mr. Billingsley directed the committee to look at a map in the binder handout under the third or blue tab that showed color codes for the school districts.

There are two levels of red and two levels of yellow. The first level, Red one, is districts that had five percent high school students enrolled in high needs CTE programs. There were 37 different schools. Red two is districts where less than five per-

cent of high school students are enrolled in high needs CTE programs, that exist in nearby schools. There are 55 of these schools identified. Frequently travel time is a hindrance for students to take some of the CTE programs.

Yellow one and Yellow two are the five to ten percent of high school students enrolled in high needs programs where there is access to classes in nearby schools. There are 52 of these schools. Yellow two is where there were over ten percent of students enrolled in high needs programs, but circumstances kept them from participating.

In the Green areas there were over ten percent of high school students enrolled in high needs programs and they had access to four to seven programs identified. There were 69 of these schools. All of this information is in the white binder titled "Secondary and Career and Technical Education-Program Access and Prioritization of New Programming."

Representative Graham asked Mr. Billingsley where in the materials could this be found. Mr. Billingsley directed him to the back of the report under the tab "School Accessibility by County." On this chart, schools are broken down into categories. Directly behind the blue tab, it shows a map. Under the yellow tab, it lists, all the schools and what kind of access they have.

Representative Edmonds said he has worked with KDE trying to help Estill County, and they are no further along than when they started. Representative Edmonds asked Mr. Billingsley to go back and repeat the information about the satellite schools. Mr. Billingsley said there haven't been any started in the past few months. In order to have a school, they must have five programs. In order to start a satellite program the cap has to be raised and there needs to be funds. This is the reason there have not been any new programs started. Representative Edmonds asked how long it had been since they started a new program. Mr. Billingsley said there haven't been any in the past six months. Secretary Owens said that through the Career and Technical Accessibility Fund that the General Assembly funded in 2004, they were able to start 39 new programs. Pulaski, Butler, and Warren Counties were able to come up with funding. It was based on need and accessibility. There is an application process. Some went to local school districts and some to the state and they were divided fairly evenly. Part of the problem is the General Assembly hears all the time that districts need money to build buildings. Secretary Owens said, "We don't do bricks and mortar. We only put programs in place." A lot of people just got additional programs. Six schools were able to build a building and have put in five new programs. They are opening this school term.

Representative Edmonds said a school district like Estill County is not likely to be offered much, unless the district can implement a program with its own monies. Secretary Owens said that they could help with the programs if it is one that meets the criteria of falling under the need

and accessibility. There are so many areas that have nothing. Sometimes it is hard to beat out the districts that are under the "Red one" if you are a "Yellow three". Representative Edmonds asked if in the category of "so many that have nothing" if these were school districts. Secretary Owens said yes. Representative Edmonds asked if she knew how many districts that would be. Secretary Owens said no, they would have to work together to determine that. She said they reach 129 school districts and she said she wasn't sure about KDE. Mr. Kelley said they had programs in all but three counties. The programs in districts vary. Some may have five, four, three two, or one programs. Secretary Owens said for example, that about half of Metcalfe County students, because Barren County Vocational School is so full, have to attend Metcalfe County. The other half goes to Monroe County. Secretary Owens said that this is awful because you have block scheduling. If it were up to her, Kentucky would have vocational schools in every district. The Kentucky Department of Education, so wisely, has raised the graduation standards by adding an additional math class. What this does is it takes away part of the possibility for students to be able to take electives and that is what these programs are. In vocational education we are going to have to be able to teach geometry and carpentry at the same time which is just what needs to be done. Classes need to be relevant to what you are teaching.

Representative Collins wanted a better definition of satellite. Mr. Billingsley said that satellite means you have one or maybe two programs in a high school that is operated by an Area Technology Center. Mr. Billingsley said they have about 20 satellite programs. Representative Collins asked if Johnson County was far enough along so they can open this year. Mr. Billingsley said they redesigned one of the grants and they will be operating a department within the high school.

Representative Collins said that Pike County is the largest in the state and to get from one place to the other takes quite a while. He said that this is the greatest thing they have done is to put the programs in the high schools, and need to make sure that the systems make this a priority. If funding gets short, unfortunately career and technical education is the first program that will be cut.

Mr. Kelly said that they would like to highlight the increase in access to programs that has been made and the use of the access grants since 2004. He asked the committee to turn to the first tab in the binder marked progress. This is another map of Kentucky, but it shows there have been access increases. There are three initiatives that have led to this increase. They set aside approximately \$300,000 of state leadership funds in the Perkins Act to start some new programs. The General Assembly approved \$3.8 million in the 2004 budget. That is where a lot of the funds came from to the Career Technical Access grants. This past General Assembly provided a \$750,000 appropriation through the Council of Postsecondary Education for

preengineering grants. Overall about \$5 million has been appropriated in the last two years.

Mr. Kelly said there are new schools that are opening this year. Those will all receive some grants. Some have opened up new state-operated area technology centers. They used some of the Career Technical Access grants to help fund those programs to get them off the ground. It was not money for building, but for program operations. Jessamine County is also opening a local Career Technical Center this month. Jessamine County also received new access grants. Basically, the districts all renovated or built a new building to have a new Career and Technical Center in their schools. Johnson and Bath County expanded their offerings within their high schools to meet the five minimum requirements for locally operated departments or centers. They also received some of the access grants. New departments were established in Johnson and Bath County.

Mr. Kelly said they have a list in the report that shows county by county what schools have been impacted by the grants. One thing they identified as a need was funds to get these programs started. Some use multiple sources to get their programs started. If it weren't for the funds, several of the programs wouldn't have gotten started.

Representative Graham said he sees the Harrodsburg ATC program and their school district merged with Mercer County and he wanted to know what happens to the program in the merger. How does it affect the district now that they have become one district? Mr. Kelly said that the Harrodsburg ATC will still be operated by the state. Secretary Owens said that they will serve more than one school district. Once the school hour is over the doors of the school need to remain open.

Representative Graham asked if someone could explain "Project Lead the Way." Mr. Kelly said this was the preengineering program. The Council on Postsecondary Education (CPE) said they had a need to get more engineering students into programs in Kentucky. It is a national type initiative that gets five courses in high school that are focused on preengineering and engineering technology. Those grants came out of the Council on Postsecondary Education's budget. Basically, the CPE put out a Request for Proposal to the school districts. These programs will lead students to go on and continue study in engineering and engineering technology. They are called preengineering programs. Representative Graham said this is a great opportunity across the state. He said he would hope that a relationship would be built between the students who desire to go on and those who want to go into technical education to allow some degree of variance between the curriculum. Secretary Owens said that the Kentucky Board of Education took that into consideration and included a flexibility clause. Ideally, she said she would like to see the Frankfort High School students go to the Franklin County Area Technology Center because it is right there. Representative Graham said it makes no sense that they can't. One

of the things Secretary Owens said that they did with some American Diploma Project grant money from the Office of Career and Technical Education was start 15 Kentucky Virtual Area Technology Centers. They were overwhelmed with how many people wanted to participate. It becomes a funding issue. Representative Graham said the districts are going to have to work together. It is like every situation with independent school districts versus the county school system. It is a matter of competition instead of what is best for our students. Some students fit into a smaller classroom setting and other do well in a large room. It should be a choice between the student and the parents and what is best for that student.

Representative Collins asked if this program would help with the home bound students. Secretary Owens said absolutely. Representative Collins asked if KCTCS wanted to concentrate on the degree program rather than having the high school students involved. Secretary Owens said she will defer that question to Dr. McCall.

Mr. Billingsley said there was a hand-out in a red folder that describes the Area Technology Center. They have had some students that have made use of the KVATC as a result of being out of school for an extended period of time. Approximately 1,100 students have participated in KVATC in some manner. Mr. Kelly said flexibility in the new graduation requirements that the state board has recommended is a clause that says, "... school districts can offer interdisciplinary or applied courses to meet those new graduation requirements." An example, Mr. Kelly said, a school may offer a technical math course that would benefit the students enrolled in career technical programs. They already have a curriculum outline and are developing a construction geometry course. When students complete that two year carpentry curriculum, they will earn one geometry credit and one construction credit. Secretary Owens said they have that in five schools right now and they know it is working. Teachers have to have core content certification to teach. The geometry would be with the virtual teacher on video or on-line, while the construction teacher would be the teacher in the CTE classroom. Students need different ways to learn. They can learn high level new academic content when they see the application of it in the real life.

Mr. Billingsley said they are addressing that by doing a nationwide proven project on integration of academics within CTE. It is called Math and CTE. CTE teachers partner with a math teacher to develop math lessons which are directly part of their curriculum. They realize they need to do more as far as helping students obtain academic standards. We are not wanting to make our teachers academic teachers but we need to put the emphasis on academics within the curriculum. That is what business and industry are saying about students. Students are coming to them with a lack of basic academic skills. The study proved significantly that it would increase the students attainment of academic skills. They recently brought to-

gether math teachers from across the state and CTE teachers in two occupational areas for a week-long professional development workshop.

Representative Shelton said that workforce development solely depends upon how the students are educated before putting them in the workforce. He asked why are there not more students going to the centers and what is being done at the high school level to increase the numbers. Secretary Owens said getting students interested in attending centers is a continuing issue. Part of it is lack of awareness. One of the greatest needs they have is an additional counselor in the schools. By law, those high schools can have one counselor for 500 students and they keep getting more and more things to address. They are going to try next year to go the counselors statewide conference to tell them what they need to do and how they need to do it. Representative Shelton said you have to bring the parents along also. Secretary Owens agreed. Representative Shelton said he knows it has been a stigma among vocational and area tech centers that only the students that are problem students go to the tech centers. Change starts at the high school level and it has to be within the administration and with the counselors guiding the students who may not be college material, but who have the aptitude to be very productive citizens in some other form.

Secretary Owens said that it becomes building leadership as well. Some have more than one school attending. One principal may be very involved and may be very aware of what is going on. Maybe for another one, it is simply a matter of convenience that his/her students get to go. It has to be active involvement at every level. Representative Shelton asked if there is any system in place that will help identify those students at an earlier age. A lot of time is wasted when a student goes into college and they are not prepared or do not have the aptitude for college. Mr. Kelly said that the best initiative that has the potential to impact this, is what the board has just done with individual learning plans. It basically says that all students will have an individual learning plan. The goal is that students will have a career focus. They will be exposed to those career opportunities in the middle school years. The students will be exposed to the career clusters and then as they go into high school, they will build a program of study around those clusters showing their career interest. This will have the greatest potential for getting to every individual student.

Senator McGaha said that we have been assessing students in the eighth grade but we don't have enough people or enough hours in the day to help guide that student or try to communicate with the parent and say your child's skill level or interest is in this direction. There is just not enough time to do it. Counselors spend so much time with personal crises of the students. Secretary Owens said that sometimes attending to personal crises takes the whole day. Senator McGaha said these may be the most important because

if we don't address those problems then the other things are not going to work. There is a tremendous chore ahead of us. Senator McGaha related a story of when he was a high school principal and his school did an exchange with a school in Canada and how that program was so focused and had an outstanding technology program. For the students who were planning on going into the workforce or doing a certificate program in technology, they did their four years and moved on. If they were going to college, they spent five years in high school and took college prep courses.

Representative Edmonds asked Mr. Kelly to identify which area technical center is 18 mile from Perry County Central High School. He asked if that was the Hazard Area Technical College. Secretary Owens said that when they talk about accessibility remember that they are talking about secondary programs. They could go to Leslie, Knott, Breathitt, or Clay counties, depending upon where that agreement is among the schools.

Senator McGaha said after talking to Representative Edmonds that the section on dual credits and articulation agreements will be held until next month. He said they want to do a continuation of this meeting and would like to have the guest speakers back along with Dr. McCall and other KCTCS staff. He encouraged the committee members to review the materials and be prepared with their questions for next month.

Secretary Owens invited the committee to call her office if there was anything they wanted clarified before the meeting. She will make sure it goes to the appropriate person. She said the committee has asked some very valid and important questions that she does not want to minimize by not having the answer.

Representative Collins asked if there was going to be any mingling with the Carl D. Perkins program. Secretary Owens said they would do their independent programs even though they are under workforce. These are people who have cognitive and physical challenges who become certified in certain classes.

Senator Westwood said that he wanted to go back to a previous discussion in regards to the stigma. He said three years ago an individual from the area technical school called him with a problem that he was in danger of loosing the HVAC program. It wasn't the educators or the students that contacted him, but the industry leaders. They said, "We need these people. What are you going to do about it?". There were a series of meetings and one thing that was said over and over was that there is a "stigma" attached to students who go into technology instead of going to college. Senator Westwood said it wasn't an aptitude issue. The student isn't any less educationally apt than those going to college. Secretary Owens said she agreed 100 percent - that it is a matter of choice - it is not a matter of aptitude. Senator Westwood said that message needs to get out. Also the doors need to be open long after 3:00 p.m.

Representative Graham said there are some students that go through middle school and high school and do not perform up to standards. Sometimes, it is because they are immature. Sometimes it is because it is a rebellious stage, but we should never turn our backs and say some kids cannot learn or they cannot go to college or that they cannot go to a technical school because the don't have the ability. They should always be provided with the access to be able to learn, because later down the road they may decide to get it together. They should be lifted up to want to do better. Secretary Owens said that sometimes if they can meet with some kind of success, they will turn around. Often times through vocational education, students find something they can do very well. That is what opens the door then to doing better academically. It is amazing the reading level that is needed to be able to take technical classes.

Mr. Billingsley said he wanted the committee to be aware that they are going through the Southern Association of Colleges and Schools Accreditation (SACS). Kentucky may be the first Career and Technical Education program in the nation to become accredited. Included in the packet today is information that is their self study and a draft of the districts' improvement plans.

Mr. Kelly asked the committee to look at the multi-colored handout entitled "Career & Technical Education." This pamphlet has several charts and one shows the academic achievement of those career technical concentrators from 2001. The gap has narrowed and it shows how much proficiency has gone up. They have been able to increase the academic achievement of students who are enrolled in career technical programs through a lot of these integrated activities and initiatives. The department has been trying to push to get academic achievement more embedded in career technical education. Also, there is a chart of skills standards assessments from 2000 to 2006. In the last six years, the students' success rates in occupational skills standards has gone up with that testing program. Senator McGaha asked if these were figures for all high school students. Mr. Kelly said that the first chart with the academic achievement is comparing all other students (red line) with career technical students (blue line). The transition chart is just technical students.

Representative Collins asked if the SACS accreditation was for the area centers. Mr. Billingsley said yes, that 55 area technology centers will be accredited as will the districts. Secretary Owens said these are housed under the Office for Career and Technical Education.

Representative Graham asked if they would be going into the individual schools. Mr. Billingsley said they would be going into selected schools.

Senator McGaha said that since we are going through these materials and they will be pertinent to the next meeting, he suggested that the committee leave the materials and the staff would hold them until the next meeting. This would limit the staff from having to reproduce them

again. He requested that if the committee wanted to take the materials that they be responsible to bring them back for the next meeting.

He expressed his apology that the guests were not able to get through all the materials, but he congratulated them on the material. He said this was an excellent meeting today and the committee was given a lot of pertinent information.

There being no further business before the subcommittee, the meeting was adjourned at 11:35 AM.

Interim Joint Committee on Education Subcommittee on Postsecondary Education Minutes of the 1st Meeting of the 2006 Interim August 7, 2006

The first meeting of the Subcommittee on Postsecondary Education of the Interim Joint Committee on Education was held on Monday, August 7, 2006, at 10:00 AM, in Room 171 of the Capitol Annex. Senator David L. Williams, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator David L. Williams, Co-Chair; Representative Mary Lou Marzian, Co-Chair; Senators Alice Forgy Kerr, Gerald A. Neal, Gary Tapp, Johnny Ray Turner, and Ken Winters; Representatives Jim DeCesare, C.B. Embry Jr, Bill Farmer, Mary Harper, Reginald K. Meeks, Charles L. Siler, and Addia Wuchner.

Legislative Guest: Representative Jon Draud.

Guests: Wayne Young, Kentucky Association of School Administrators; Mr. Clyde Caudill, Kentucky Association of School Administrators; Mr. John Wilkerson, Kentucky Education Association; Dr. Phillip Rogers, Education Professional Standards Board, and Ms. Marcie Puckett, Education Professional Standards Board.

LRC Staff: Sandy Deaton, Audrey Carr, and Lisa Moore.

Dr. Rogers explained the role of the Education Professional Standards Board (EPSB) in accrediting programs. Dr. Rogers said Kentucky currently has two programs that hold less than continuing accreditation: Alice Lloyd College holds continuing accreditation with probation, and Brescia College holds continuing accreditation with conditions. The rest of the programs hold either state accreditation or state and national accreditation.

Dr. Rogers discussed the National Council for Accreditation of Teacher Education (NCATE) flowchart for the accreditation of programs. The process begins with an application from the university or college, and the appropriate information is submitted to the Content Area Review Committee, which consists of four or five content area specialists, two from higher education and two practitioners. The Content Area Review Committee receives the program documents and determines if national guidelines and standards of relevant professional organizations are incorporated in the curriculum. The committee also ensures that state standards have been

addressed.

The Continuous Assessment Review Committee (CARC) reviews the continuous assessment plan and conceptual framework as they relate to the continuous assessment of candidates, unit, and the program. A full report of their review is sent to the Reading Committee. The Reading Committee members are trained Board Examiners and include a number of nationally trained program reviewers. The Reading Committee membership consists of higher education faculty, practitioners, administrators, and parents. They review the reports submitted by the Content Area Review Committee and the CARC.

The institutions are given the opportunity to reply to all of the concerns submitted by the Reading Committee. Once all concerns are cleared, the Reading Committee submits their recommendations to the EPSB for program approval. In preparation for an accreditation visit, the Reading Committee can also submit concerns to the Board of Examiners for additional review.

The EPSB looks at the recommendation provided from the Reading Committee and makes an approval of the program on paper until an on-site accreditation visit is scheduled. After the accreditation visit, the Accreditation Audit Committee (AAC) reviews the Board of Examiners (BOE) Report, other accreditation materials, and interviews from the BOE team chair and the institution representatives.

Dr. Rogers said there are two other steps to conclude the accreditation process. The EPSB also adopted an emergency review process for individual programs in 2002 that did not meet the Title II pass rates. Each year the EPSB looks at every single program that the university has been approved to offer to ensure that they meet the minimum of the new teacher PRAXIS test, which is 80 percent. If they fall below 80 percent, the EPSB asks for a response as to why that program has less than 80 percent. The EPSB may also send in an emergency review team to talk to students and faculty.

Dr. Rogers discussed another indicator of accountability called the quality performance index (QPI). The QPI is a calculated index based upon three areas which are: 1) overall pass rate of the college on the PRAXIS new teacher test; 2) the pass rates of the new teachers on the Kentucky Teacher Internship Program; and 3) the overall results of the new teacher survey. He said a survey is distributed to all student teachers and their supervising teachers, which are called cooperating teachers, as well as intern teachers, or first year teachers, and their supervising teachers, which are called resource teachers. Dr. Rogers provided the members with the latest results of these surveys in the meeting folders. These surveys have been conducted for the last four years and he will discuss emerging trends later in the presentation.

Dr. Rogers discussed the Kentucky Teacher Preparation Initial Certification Area Matrix that lists each teacher preparation program by Kentucky college and the number of students who have com-

pleted the certification program. He has been working with the universities for the last three years in an effort to obtain clean and current data.

Dr. Rogers said Kentucky has seven optional routes for alternative certification. They are: 1) the Exceptional Work Experience; 2) the Local District Training Program; 3) College Faculty; 4) Adjunct Instructor; 5) Veterans of the Armed Services; 6) University Based Alternative Route; and 7) the University Institute option. Dr. Rogers explained each option in detail and the hand-out is located in the meeting folder in the Legislative Research Commission (LRC) library.

Dr. Rogers said Kentucky is noted for its high quality alternative routes and offers many more options than the surrounding states. He said the number of emergency certificates issued have decreased since the alternative certifications have increased. He also noted that 159 of 176 local school districts have at least one person who has entered the teaching field through an alternative route.

Dr. Rogers discussed the critical shortage areas. He said Kentucky is filling the high need areas of math, biology, chemistry, and physics with teachers who have completed alternative routes, primarily mid-career folks who are looking to make a career change. These numbers have increased 25 percent over the last couple of years. He said special education was not included, which always remains a high need area, and the alternative routes help to fill these positions as well.

Dr. Rogers mentioned that the special education teachers have a stressful job. Retention numbers show that new teachers come in, maybe through an alternative route, but take other positions when they become available. Dr. Rogers noted that between 30 and 40 percent of the teachers seeking alternative certification, most through option six, have a certificate in another area. He said this whole issue is a problem and he would look forward to having future discussions with the members on solving the problem. He feels that Kentucky needs to put in statute that teachers have a major in the area that they are teaching.

Dr. Rogers discussed the rigor of the teacher preparation programs, and the degree of alignment between the postsecondary curricula and Kentucky's K-12 content standards and professional expectations for classroom teachers. He said the Title II Teacher Quality Enhancement Grant paid for a major curriculum alignment strand to align the elements of the new teacher Praxis test, the Core Content, the Kentucky Teacher Standards, and national standards.

Dr. Rogers discussed the assistance, interventions and consequences for programs that do not perform well in preparing graduates for teaching or school leadership, and the accountability standards used to determine eligibility. He said technical assistance in a symposium and a wide array of workshops are offered for interventions and assistance to programs and teachers.

Dr. Rogers said he feels that Kentucky

does a nice job preparing teachers to teach sixty to seventy percent of the students. It is the other 40 percent, who have special needs, that teachers do not feel qualified to teach. This feeling does not change even with the experienced teachers. He said the EPSB will adopt new goals in the spring, one of which will address the working conditions of teachers. He feels Kentucky does not have a problem producing new teachers, but has a problem of keeping teachers. He said research shows that the most ineffective year of any teacher's career is the first year, and this is why it is tragic when there is a constant a rotation of new teachers. He would like to have further conversations on this issue with the members in the future.

Dr. Rogers said Kentucky is one of the few states, and the only Southern Regional Education Board (SREB) state, that still requires teachers to obtain a master's degree. He said teachers are mandated to have the master's degree by the second renewal of their certificate, which is over a ten-year period. He said many teachers pursue the master's degree in administration and principal preparation, so there is not a shortage of people who could become principals, just a shortage of people who want to be principals.

Dr. Rogers said in reviewing the data obtained from the new teacher surveys, the National Assessment of Educational Progress (NAEP), the achievement gaps, and feedback from teachers, everything indicated that more value needed to be placed into the master's program. Teachers view the master's degree as a hoop to jump through to get a higher salary rank, but see that no value is placed in the program. He said teachers respond negatively when asked if the master's degree helped them to be a better teacher.

Dr. Rogers discussed the master's review committee recommendations for program components. Some components include: program design; program curriculum; and continuous monitoring and evaluation of candidate progress which demonstrates the ability to impact P-12 student learning which might include: evaluate practicum and clinical experiences; conduct and/or design projects; and develop a culminating performance-based assessment event. He said the master's program should turn the teachers into experts in managing student data, experts in curriculum design, and experts in instructional design, and enable them to teach this to other teachers. He said it was also determined that the program review and approval process should be determined by the EPSB.

Dr. Rogers discussed the 2006 House Joint Resolution (HJR) 14 that requires a task force to make recommendations to improve principal preparation programs. A task force and four work groups have been appointed and have begun their work.

Dr. Rogers said there will be anticipated changes as a result of the redesign of the principal preparation programs. Highlights of proposed program changes are as follows: 1) Program design and delivery that requires deliberate and sustained collaborations between districts

and institutions; 2) Concentration in the programs on what principals should know and be able to do as supported by current research; 3) Inclusion of a cohort approach into the principal internship program; 4) Development of a content guide that will focus on improving student achievement for all students; 5) Focus on the development of principals from “aspiring to retiring” offering not only pre-service studies but also professional development to provide support for principals throughout their careers; 6) Focus on the proven strategies that move schools to high levels of student achievement: Standards and Indicators for School Improvement (SISI), Balanced Leadership, high quality professional development, assessment data analysis, and strategies to address needs; and 7) Use of student assessment data that may be linked to the leadership of the school and the principal preparation program.

Senator Tapp said Kentucky has more alternative routes to certification than the surrounding states, but asked how the numbers compared in producing teachers who are completing certification. Dr. Rogers said he did not have that information, but said Kentucky is very similar in numbers to Tennessee, while Ohio and Virginia outnumber the state very much. Senator Tapp asked for the number of teachers completing alternative certifications in Kentucky compared to surrounding states.

Senator Tapp asked if all high schools in the state of Kentucky have a certified physics teacher on staff. Dr. Rogers said no. Senator Tapp asked how many certified physics teachers Kentucky does have in its 230 high schools. Dr. Rogers said not enough, and that many schools do not offer but one course in physics each year, and will get a teacher in the math field that is endorsed to teach physics to teach the course. He will get Senator Tapp the exact number of certified physics teachers in the state. He also mentioned that in the future students in schools without a certified physics teacher will have the opportunity to take the course in a virtual classroom.

Representative Embry asked when Kentucky could realistically expect to see these changes and recommendations occur, and what group will ultimately be responsible for meeting the timelines of the implementations of changes. Dr. Rogers said the EPSB has a significant responsibility in seeing the changes through, but cannot do it alone. Secretary Virginia Fox, Education Cabinet, has done an excellent job of pulling together the EPSB, the Council on Postsecondary Education, and the Department of Education to work together, and this kind of cooperation is almost unknown across the country. He said he anticipates having the report from the master’s committee by late spring or early summer. At that point, there will be a regulation that will provide key date changes for the master’s program. He said certainly within two years, there will be a new master’s program and new principal preparation programs up and running. He said some people see that as a short timeline,

and to a university, it is a very aggressive timeline.

Representative Marzian said she has repeatedly heard about the critical mass of teachers approaching retirement, and asked if this is occurring now. Dr. Rogers said that the information from the Kentucky Teacher Retirement System is pretty scary, but a lot of the retiring teachers are coming back and teaching part-time, which offsets some of it. He said however, if all the teachers eligible to retire did so today, Kentucky would have a huge problem on its hands. He also noted that the alternative routes to certification are helping to mitigate this problem in a way. He said there will always be regional problems of not being able to find a math or Spanish teacher, and that problem is not going to go away. He said the only way to address the problem is through virtual classrooms, but currently there are no standards in place for facilitating on-line classes, and the number of these classes being offered are exploding every year.

Representative Marzian said Jefferson County’s superintendent understands that virtual classes are going to be the next frontier, but he is taking a hit from the school board to get them implemented. She said young people today are very technologically advanced. She was pleased that Dr. Rogers was pursuing this avenue of virtual classes and said it would be beneficial to Kentucky schools.

Representative Draud said Dr. Rogers had done an excellent job in implementing the leadership training study. He feels that Kentucky should look at some different kinds of options for rewarding teachers who enter into the areas of math and science, even though the subject is controversial and not popular among teachers. He said that what Kentucky has been doing in the past is not working, and in fact the state is going backwards in producing teachers in those areas.

Senator Winters asked if the internship program might help with the retention of teachers. Dr. Rogers said it is obvious that it does. He said while Kentucky has retention issues, states around us without induction programs have twice the retention problems. Kentucky has one of the best retention rates in the country, but it is still not good enough.

Senator Winters applauded the alternative certification routes for filling the critical shortage areas, but mentioned the importance of encouraging gifted students to get into teaching, primarily in the critical shortage areas for the long-term. He asked if Kentucky was producing too many elementary and secondary teachers. Dr. Rogers said yes, but many special education teachers are produced from the over abundance supply of the elementary and secondary teachers. His concern is that the elementary teachers are weak in the areas of mathematics and science, and need to be stronger. This issue will be addressed in the future. He also praised the DOE’s Kentucky Future Educator Club as a model for the country in finding the brightest of students and preparing them to teach the future generation of students.

Senator Winters asked if there was a universal standard score applied to PRAXIS. Dr. Rogers said no, each state sets its own PRAXIS cut score. Dr. Rogers said the score is not set arbitrarily, but uses a method that brings in experienced teachers to look at the test items and identify what is necessary for new teachers to know when they begin teaching, and what is not necessary. Out of that information, a PRAXIS cut score is determined, but the EPSB does set some parameters, which says the cut scores must be between the 15th national percentile and the 25th percentile. Senator Winters asked how Kentucky’s scores compared to other states, and Dr. Rogers said that Kentucky’s PRAXIS scores are competitive with the surrounding states.

Representative Wuchner asked if there should be a recommendation that first year math and science teachers make a commitment for so many years to that subject matter. She also asked Dr. Rogers if he indicated that Kentucky should not focus so much on teachers obtaining masters’ degrees, but on programs that certify teachers so that they can actually teach and to help avoid these high remedial courses in postsecondary education.

Dr. Rogers said the EPSB discussed whether Kentucky should require a master’s degree, and the answer was yes. He said the necessary work in closing the achievement gap is rooted in understanding how to assess students, how to analyze data, and how to inform a person’s own practice by understanding differentiated learning styles. He said these things are touched on in the initial teacher certification, but until a teacher is in the classroom, it is hard to comprehend how to put it into practice.

Senator Turner asked how long it would take a person with a doctorate degree in literature to obtain a teaching certificate, and would they be allowed to teach in an emergency situation. If so, what alternative route should be pursued.

Dr. Rogers said universities can offer a proficiency evaluation and say a person is ready to start teaching immediately, or they may need a few courses in classroom management. If the person has exceptional work experience and a doctorate in literature, he or she can utilize the exceptional work route. He said the EPSB and the General Assembly have worked very hard to get exceptional people in the classrooms. He mentioned there are attorneys that have been moved very quickly into the classrooms to teach social studies.

Senator Williams commented that some first year teachers do a fine job. He said most people take charge of their own professional development if they feel they need it.

Senator Williams asked Dr. Rogers about differentiated pay, and how many states utilize it for people in critical shortage areas. Dr. Rogers said he did not know, but there are not many. He said most states give teachers more money for additional duties, not more money for teaching math. A better example may be paying teachers more who teach in low-performing, high need schools. This is a much more

common form of differentiated pay. Dr. Rogers said he would try to find out more information.

Senator Williams said that the EPSB should take a look at differentiated pay, even though it is not popular, but EPSB should be innovative. He also mentioned Governor Brown’s interest in principal institutes and how duties of principals have changed over the years. Senator Williams said that principals need new skill sets from budgeting experience to running buses, and it may take a different set of people to fill these principal slots than Kentucky has had in the past.

With no further business before the committee, the meeting adjourned at 11:36 a.m.

Interim Joint Committee on Health and Welfare Minutes of the 2nd Meeting of the 2006 Interim July 24, 2006

The 2nd meeting of the Interim Joint Committee on Health and Welfare was held on Monday, July 24, 2006, at 1:00 PM, in Room 129 of the Capitol Annex. Representative Tom Burch, Co-Chair, called the meeting to order at 1:10 PM and the secretary called the roll.

Present were:

Members: Senator Julie Denton, Co-Chair; Representative Tom Burch, Co-Chair; Senators Charlie Borders, Tom Buford, Perry B Clark, Denise Harper Angel, Alice Forgy Kerr, Joey Pendleton, Richard “Dick” Roeding, and Johnny Ray Turner; Representatives James R Comer Jr, Robert R Damron, Bob M DeWeese, David Floyd, Joni L Jenkins, Mary Lou Marzian, Stephen R Nunn, Ruth Ann Palumbo, Jon David Reinhardt, Ancel Smith, and Addia Wuchner.

Guests: Ruth Shepherd, M.D., Department for Public Health, Cabinet for Health and Family Services; Carol Steltenkamp, M.D., Assistant Dean for Clinical Affairs, University of Kentucky College of Medicine and Co-Chair of the Kentucky e-Health Network Board; Nathan Goldman, Kentucky Board of Nursing; Tracey Jewell, Department for Public Health, Cabinet for Health and Family Services; Trudi Matthews, Chief Policy Advisor, Office of Health Policy and Richard Stout, Cabinet for Health and Family Services; Brad Hall, Kentucky Pharmacists Association; Elizabeth Caywood, Department for Community Based Services, Cabinet for Health and Family Services; Jan Gould, Kentucky Retail Federation; Steve Davis and Dave Sallengs, Office of Inspector General, Cabinet for Health and Family Services; Tony Sholar, Rotunda Group; Cathy Allgood Murphy, American Association of Retired Persons; Gene Huff, Marymount Medical Center; Bob Kelley, Merck; Prentice Harvey, Norton Healthcare; Sarah Nicholson, Kentucky Hospital Association; Denise Simpson, Kentucky Impact Services, Seven Counties Services, Inc.; Anne Joseph, Kentucky Task Force on Hunger; Russell Harper, Christian Care Communities.

LRC Staff: Murray Wood, CSA, Barbara Baker, Miriam Fordham, Gina Rigsby, and Michelle Woods.

A motion to adopt the minutes of the June 21, 2006 meeting was made by Senator Buford, seconded by Senator Roeding, and adopted by voice vote.

A report on the status of levels of neonatal hospital services was given by Ruth Shepherd, M.D., Department for Public Health, Cabinet for Health and Family Services. Dr. Shepherd stated that Kentucky's infant mortality rates have improved, and according to 2004 data from the National Vital Statistics System, Kentucky averages 6.5 deaths per 1,000 live births. The smaller the birth weight, the more the baby is at a higher risk of dying, but the survival of babies weighing less than two pounds has increased since 1960 in Kentucky.

Dr. Shepherd stated that neonatology is a new specialty and has developed since the 1960s. By the 1970s there were neonatal units nationwide, but there was no organized system where babies could get the appropriate care close to where they lived. In 1976, a committee that was chaired by the national March of Dimes and involved all the national partners of the pediatric and obstetrician groups, published a white paper entitled "Towards Improving the Outcome of Pregnancy" that made the following recommendations: 1) develop regionalized perinatal care systems; 2) establish three levels of neonatal care for hospitals according to complexity and severity of an infant's illness; and 3) develop a transport systems.

Dr. Shepherd stated that the following services are provided in Level I neonatal nurseries: 1) basic neonatal care; 2) neonatal resuscitation; 3) evaluation of healthy newborns over four pounds and six ounces; 4) management of uncomplicated jaundice; and 5) stabilization of transfer if sick or high risk. The following services are provided in Level II neonatal nurseries: 1) all basic services provided in Level I nurseries; 2) treatment of infants with moderate, short-term illness or high risk; 3) care of preterm infants weighing three pounds four ounces or less; 4) convalescent care for infants recovering from serious illness or severe prematurity; and 5) some offer short-term ventilator care. The following services are provided in Level III neonatal nurseries: 1) treatment of all infants that need care, even the most severely ill and smallest infants; 2) advanced technology such as high frequency ventilation and ECMO; 3) availability of on-site pediatric subspecialists, including cardiac and general surgeons; 4) outreach education; and 5) transportation of patients from outlying hospitals using specialized equipment and staff.

Dr. Shepherd stated that in 1978 the General Assembly enacted legislation that created the regionalization of the perinatal care program to be ran by the Department of Public Health and allocated \$9.8 million. There were six Level III hospitals initially enrolled in the neonatal care program. The goal was to have at least one Level II center in each Area Development District. She said that in 1987, Doug Cunningham, Chief of Neonatology at the University of Kentucky, reported that mortality within 24 hours of admission to neo-

natal intensive care decreased progressively from 11.3 percent in 1979 to 3.6 percent in 1985. Deaths within the first week of life for outborn infants decreased from 27.4 percent in 1979 to 6.7 percent in 1985.

Dr. Shepherd said that during the 1980s challenges to regionalization were hospital competition, managed care systems/networks, increasing numbers of uninsured, shrinking financial resources for public health with increased patient loads, and deterioration of regionalized referral patterns. In 1993, the March of Dimes reformed the perinatal committee and published another white paper "Towards Improving the Outcome of Pregnancy II" that made the following recommendations: 1) refocus on what happens outside hospitals; 2) medical home concept; 3) health promotion and education; 4) preconception and interconception care; 5) risk reduction and screening and awareness; 6) access to services; and 7) coordination of activities within a region such as planning, monitoring, data collection, and provider education. She said that in the 1990s, Kentucky also refocused on outreach education and training. There were improvements in teen pregnancy rates, early and adequate prenatal care, coverage for pregnant women and infants, and participation in medical homes.

Dr. Shepherd stated that the State Health Plan is revised yearly, and in January 2006, the Certificate of Need (CON) process was made less restrictive for Level II nurseries to improve access to neonatal care. She said that CON requirements for Level II neonatal intensive care unit (NICU) should be 8 beds. The formula for the cap on the number of Level II NICU beds in the ADD is the number of births divided by 1,000 multiplied by four. Currently, there are 217 Level II NICU licensed beds licensed in Kentucky. Other requirements are that the utilization of existing Level II beds in the ADD must exceed 70 percent and an applicant must document that they would provide care consistent with the most recent edition of the "Guidelines for Perinatal Care" (AAP/ACOG). The CON requirements for Level III NICU beds are that the utilization of existing Level II beds in the ADD must exceed 75 percent and applicant must document they would provide care consistent with most recent edition of the "Guidelines for Perinatal Care" (AAP/ACOG). The formula for the cap for number of Level III NICU beds is the number of births in the ADD divided by 1,000 multiplied by one. Currently, there are 117 Level III NICU licensed beds in Kentucky.

Dr. Shepherd said that Kentucky's premature live births rate has risen to 14 percent since 1993. She said that Kentucky's Healthy People 2010 prematurity goal is 7.6 percent. The average infant mortality rates per 1,000 live births by race in the United States between 2000-2002 were 5.7 for whites; 13.5 for blacks; 8.9 for native American; 4.8 for Asians; for an average total of 6.9 according to the National Center for Health Statistics. Kentucky's rates for the same timeframe and source were 6.4 for whites;

10.7 for blacks; 6.4 for Asians; for an average total of 6.7.

Dr. Shepherd recommends 1) forming a perinatal task force to study best practice from other states, examine and suggest improvements to our current system, determine quality indicators and data collection, and develop strategies for new challenges; 2) establish a voluntary reporting system so the state can aggregate and analyze data; 3) look for ways to expand effective programs like HANDS that improve birth outcomes; and 4) continue to work on access to health care coverage for pregnant women and infants.

Representative Nunn suggested that the cabinet look at new ways to improve the early childhood initiatives.

Representative Burch said the changes in the State Health Plan allow for an increase in Level II neonatal beds and asked how the cabinet would ensure hospitals, especially in rural areas, maintain consistency with the American Academy of Pediatrics and American College of Obstetrics and Gynecology Guidelines of Prenatal Care. Jeff Barnett of the Certificate of Need Office, stated that there are nine hospitals statewide delivering over 500 babies that have no Level II neonatal services, and the cabinet became concerned with the frequency and distance the babies had to be transported. One of the CON requirements is to maintain consistency with the guidelines identified. Representative Burch asked how the cabinet would guarantee the Level II facilities would deliver the quality of services needed if there are no inspections required. Dr. Shepherd stated she would like to collect additional indicators from hospitals in addition to utilization data and determine what should be quality indicators for Level II nurseries and have a voluntary reporting system to get the information almost immediately to a facility is having problems. The problem with regular inspections is that the Office of the Inspector General does not routinely inspect hospitals that are joint-commissioned certified. If there is a complaint, they could refer to the guidelines for perinatal care and address the problem. Representative Burch asked if the cabinet thought a facility would voluntarily give information about high incidences of infant deaths in order to correct a problem. Dr. Shepherd stated that the cabinet would determine what the quality indicators should be and have all nurseries report them and compare what each nursery is doing.

Representative Burch asked about the number of current applications and if they were statewide. Mr. Barnett stated that there are six applications to establish Level II beds since the lifting of the moratorium. The cabinet thought it was time for the change in the State Health Plan because there has not been a change in Level II beds since 1996. Several applications are from central Kentucky. Representative Burch asked what the fiscal impact would be to Medicaid to add an increase in Level II beds, psychiatric hospital beds, physical rehabilitation hospital beds, MRI radiation equipment, and prescribed pediatric extended care. Mr. Barnett stated that

CON Office has worked with Medicaid and providers and that this would not have an adverse effect from an economic standpoint. The changes would increase access and have a savings in cost avoidance by making the level of care more appropriately delivered in the areas that need it most.

Representative Burch asked how the babies were transported to Level II nurseries when necessary. Mr. Barnett said by ambulance or helicopter. The Institute of Medicine has predicted there will be 500,000 premature babies on an annual basis. Representative Burch asked if the state evaluated Level II and Level III nurseries. Dr. Shepherd stated that the information is collected from birth certificates and university centers. Representative Burch asked if the cabinet was comfortable that all the Level II nurseries are providing the best service possible. Dr. Shepherd stated that she did not have the information to say one way or the other.

Representative Wuchner asked if there is a direct correlation, especially in the premature or preterm births, with the hesitancy to make referrals to high-risk obstetric/gynecologists that are coordinating with the neonatal services hospitals that would have the high-risk service or are there not enough of the high-risk obstetrics and gynecological services to coordinate with the Level II and Level III nurseries. Dr. Shepherd stated that most of the obstetricians and gynecologists are happy to consult with perinatologists when necessary, but the mother does not always have to be transferred because most of the information can be handled by phone. Dr. Shepherd stated that in centers who have perinatologists, there is a hesitancy to transfer to other centers that might be able to handle the baby better.

Senator Buford stated there are not enough Level II or Level III facilities. Hopefully, the changes in the State Health Plan allowing more Level II beds will allow more access and availability of parents to their child.

Representative Palumbo asked about the definition of early entry into prenatal care. Dr. Shepherd stated it is entry into the first trimester. Representative Palumbo asked about the length of time recommended between pregnancies. Dr. Shepherd stated approximately 18 to 24 months. Representative Palumbo asked if babies statewide had specific problems that caused premature births. Dr. Shepherd stated that it is a multi-factorial problem. Representative Palumbo asked what the average weight of a low-birth baby. Dr. Shepherd stated five pounds and eight ounces.

Representative Nunn asked if there is a way to gauge the impact of the Spanish infant mortality rates. Dr. Shepherd stated that the information from the 2005-2006 would indicate the Hispanic population is rising, and many outreach efforts are aimed toward them.

Representative Marzian asked if the problems could be because of a lack of adequate health care. Dr. Shepherd stated that between KCHIP and Medicaid there are more pregnant women covered in Kentucky than the national average. They can

also receive some services through health departments. Dr. Davis stated that nine percent of women of child-bearing do not have insurance coverage from one source or another. Representative Marzian asked about the strategies to help women accomplish longer periods of time between pregnancies. Dr. Shepherd stated that it is filtrated through all the public health programs where there are allot of high-risk individuals. The Centers for Disease Control and Prevention recommendations were just released several months ago and will be disseminated to the public.

Senator Denton asked why the March of Dimes would not include the Hispanic information in the 2000-2002 report. Dr. Shepherd stated that the birth certificates used for the reports did not have a broad array of ethnicity recorded. The birth certificate was changed in 2004, and the department is receiving better information.

Representative Burch asked the number of obstetrics and gynecologists were still practicing in Kentucky. Dr. Davis stated approximately 400 to 500. Representative Burch asked if the health departments provided prenatal services. Dr. Shepherd stated that most health departments had contracted with local obstetricians to provide care but some health departments do still see prenatal patients.

Senator Buford stated that more money needs to be allocated to the health departments.

Representative Wuchner stated that one problem that has been found is that working mothers cannot take time off work for doctor appointments, and, therefore, do not have the adequate prenatal care needed in the first trimester. There are prenatal vitamins available over-the-counter that women can take.

Representative Burch asked why there is a big disparity because African American and white low-birth weight and premature incidences and what are some ways to identify the problems. Dr. Shepherd stated that Institute of Medicine published a report on prematurity and low-birth weight that dealt with this issue and they could not come up with any specific reasons. Dr. Shepherd stated that the Healthy Start project in Louisville and the HANDS program have helped to decrease infant mortality. Dr. Shepherd stated that the post-neonatal mortality in African Americans is on the rise.

An update on the e-Health Network Board was given by Carol Steltenkamp, M.D., Assistant Dean for Clinical Affairs, University of Kentucky College of Medicine, and Co-Chair of the Kentucky e-Health Network Board. Trudi Matthews, Chief Policy Advisor, Office of Health Policy, Cabinet for Health and Family Services was available to answer questions. Dr. Steltenkamp stated that Senate Bill 2 enacted by the General Assembly and signed by the Governor on March 8, 2005, created the Kentucky e-Health Network (KEHN) Network Board. Senate Bill 2 also created the Healthcare Infrastructure Authority, a partnership between the University of Kentucky and the University of Louisville to lead e-Health efforts. The board began meeting in November 2005 to de-

velop a plan for a statewide e-Health network. The board is attached to the Cabinet for Health and Family Services for

administrative purposes.

Dr. Steltenkamp stated that some short-term projects include: 1) Privacy and Security project; 2) e-Prescribing Partnership Grants; 3) e-Health Payor Collaboration; and 4) Fall 2006 e-Health Summit. She stated the board is in the process of forming an advisory group consisting of health care Chief Information Officers, community leaders and clinicians knowledgeable about e-Health that would develop preliminary recommendations. The board is also working on a business plan.

Representative Nunn stated that it has taken seven meetings to finalize the board's mission statement. He stated that e-health has been a slow process but the board is making progress. National leaders in e-health have spoken at the board meetings and told of experiences with e-health systems. He said that e-health can curb costs in health care and Kentucky can be in the forefront of the e-health revolution.

Senator Denton asked about the progress of the pilot in Louisville. Dr. Steltenkamp stated a group has been formed for the e-Health Trust Model, but she did not know the progress. Ms. Matthews stated that the group was still working on a business model.

Senator Denton asked if everyone was abiding by the federal guidelines, and Dr. Steltenkamp stated that they were still waiting for federal guidelines.

Representative DeWeese stated that e-health could make practice safe and less expensive. He asked if electronic prescription writing was being done in Kentucky, and if so, how much. Dr. Steltenkamp, stated yes, it is, but at a minimum due in part of the expense and some because of the reluctance to change.

Representative Damron stated that there is a study that was done by the University of Louisville that stated there is technology for real-time. He stated that the KASPER system had a two-week delay in reporting that could cause major problems. E-health could reduce medical malpractice. He asked if the board was looking to purchase new software for the state. She stated that no subcommittee had been formed yet because the board was waiting for national standards. The board did not want to waste money purchasing a system that would not be compatible with the national standards. Representative Damron asked how far the cabinet was from having e-KASPER, and Ms. Matthews stated approximately six months.

Senator Roeding stated that e-KASPER is moving forward and that a pharmacy puts in a report every 8 days. He stated that purchasing the software will be a huge expense to the state and the software is not ready. He said that the \$90,000 community partnerships should be spread throughout the state, and Ms. Matthews stated that someone would be able to apply for a grant within the next two months.

The following administrative regulations were referred to the committee for review: 201 KAR 20:370 - establishes requirements and procedures for nurse licensure and registration, 201 KAR 20:411 - establishes the requirements relating to a sexual assault nurse examiner course and the credentials of a sexual assault nurse examiner, 201 KAR 25:031 - establishes continuing education requirements for a podiatrist, 201 KAR 36:030 - delineates the requirements for continuing education and prescribes methods and standards for the accreditation of continuing education courses for licensed professional counselors and licensed professional counselor associates, 201 KAR 36:070 - establishes the educational requirements for licensure by Kentucky Board of Licensed Professional Counselors, 900 KAR 5:020 - updates the State Health Plan, 900 KAR 6:050 - establishes the requirements necessary for the orderly administration of the Certificate of Need Program, 902 KAR 20:091 - establishes licensure requirements for the operation and services, and facility specifications of a community mental health center, 902 KAR 55:110 - establishes criteria for reporting prescription date, providing reports to authorized persons, and waiver for a dispenser who does not have an automated recordkeeping system (KASPER), 906 KAR 1:110 - establishes quality of care and licensure standards for critical access hospitals, 908 KAR 3:060 - establishes the "Means test" for determining the ability to pay of the patient or person responsible for the patient for board, maintenance, and treatment at a facility operated or utilized by the cabinet for the mentally ill or mentally retarded pursuant to the "Patient Liability Act of 1978", 921 KAR 3:060 - establishes the procedures used by the cabinet in determining if an intentional Food Stamp program violation, or IPV, has occurred and the penalties that shall be applied for an IPV.

Representative Burch asked about inconsistencies with statutes in regard to personal care beds. Mr. Barnett, Office of Certificate of Need, Cabinet for Health and Family Services, stated that the cabinet did not perceive any inconsistencies because personal care beds were not removed from the process in 900 KAR 6:050.

The committee reviewed Executive Order 2006-693, relating to the expansion of the Telehealth Board, pursuant to KRS 12.028. The committee accepted the reorganization order and the accompanying reorganization plan.

Senator Denton announced there would not be a committee meeting in August. There being no further business, a motion to adjourn at 2:22 p.m. was made, seconded, and adopted by voice vote.

Interim Joint Committee on Labor and Industry Minutes of the 2nd Meeting of the 2006 Interim August 10, 2006

The 2nd meeting of the Interim Joint Committee on Labor and Industry was held on Thursday, August 10, 2006, at 10:00 AM, in Room 171 of the Capitol

Annex. Representative J R Gray, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Alice Forgy Kerr, Co-Chair; Representative J R Gray, Co-Chair; Senators Julian M Carroll, Julie Denton, Denise Harper Angel, Jerry P Rhoads, Richie Sanders Jr, Katie Stine, and Jack Westwood; Representatives John A Arnold Jr, Joe Bowen, C B Embry Jr, Charlie Hoffman, Dennis Horlander, Joni L Jenkins, Charles Miller, Russ Mobley, Rick G Nelson, Jim Stewart III, and Brent Yonts.

Guests: Tom Barnes, Office of Housing, Building and Construction; Tim House, Office of Housing, Building and Construction; David Reicheri, Office of Housing, Building and Construction; Clyde Caudill, Jefferson County Public Schools; Mike Ridenour, Kentucky Chamber of Commerce; Julie McPeak, Executive Director, Office of Insurance; Carla Montgomery, General Counsel, Office of Workers' Claims; Phil Harmon, Office of Workers' Claim.

LRC Staff: Linda Bussell, CSA; Adanna Hydes; Melvin LeCompte; Ashli Schmidt, Committee Assistant.

Co-Chair Gray welcomed the committee and asked for a motion for approval of the minutes. Sen. Carroll motioned to approve the minutes, and Rep. Miller seconded the motion. Co-Chair Gray then reminded members that the September committee meeting will be held at Kentucky Dam Village on September 12, at 2:30 Central Time, in conjunction with the annual Labor Management Conference. He noted that if the members desire to attend they must receive approval from either the President of the Senate, or the Speaker of the House. Co-Chair Gray also thanked the members for taking the action to encourage the Labor-Management Board to reconsider their decision to move the conference to another location. He noted that the committee's action was instrumental in having the conference return to Kentucky Dam Village.

At this time, Linda Bussell, Committee Staff Administrator, explained the contents of the members' folders. Rep. Gray also noted that the registration form for the Labor Management Conference was in the folders and members should register before leaving for the NCSL conference.

Co-Chair Gray then introduced Julie McPeak, Executive Director of the Kentucky Office of Insurance. Ms. McPeak stated that she has recently rejoined the Office of Insurance after leaving the office in December to work for the Personnel Cabinet. She stated that she was before the committee with good news concerning the National Council on Compensation Insurance (NCCI). She announced that this is the largest decrease in the NCCI recommended rates for workers' compensation since 1997. She then directed members to their handouts. Ms. McPeak stated that the recommended decrease for the year was 9.3% for industrial classes and 4.5% for coal classes. She noted again that this is the largest decrease in workers compensation rates since September 1, 1997. Ms. McPeak also reviewed

the recommended decreases for individual employmet classes. The recommended decrease was 9.4% for office and clerical workers; 14.8% for contractors; 6.3% for manufacturing; 8.1% for goods and services; and 10.1% for miscellaneous classes. In the coal classes, the NCCI filing recommended a decrease of 6.6% for underground mining, but an increase of 3.4% for surface mining, however the average overall recommended decrease for coal was 4.5%.

Ms. McPeak then summarized the review and approval process for the NCCI Loss Cost Filing. She stated that the filing was received on June 30, 2006 and that the Kentucky Office of Insurance (KOI) has 30 days to review the filing. The review period can be extended for an additional 30 days (KRS 304.13-051), and that this extension is already in place. The filing must be approved or disapproved by August 30, 2006. She stated that an independent actuary is reviewing the filing.

The effective date of the NCCI Loss Cost Filing will be October 1, 2006 to allow insurers sufficient time for implementation and Ms. McPeak reminded members that adoption of NCCI's recommended rates is voluntary for workers' compensation insurance carriers. Ms. McPeak stated that there are three factors contributing to the decrease in loss costs. The first is that there is a higher than expected decline in claim frequency. Secondly, increases in medical and indemnity costs are flattening. Lastly, there is a decline in loss development factor patterns. This could be caused by the reduction of severity in the claims, or the leveling off of attorney involvement in claims.

Sen. Carroll asked if the Office of Insurance has considered employing its own actuary. He stated that independent actuaries represent numerous agencies and that this may result in a conflict of interest. Sen. Carroll noted that during his administration as Governor, he hired an actuary to review with the state health care plan. He suggested that the Office of Insurance employ its own actuary to avoid a potential conflict of interest. Sen. Carroll then inquired about the percentage of claims filed and approved since the 1996 Workers' Compensation law? He said he expected that there was a major reduction.

Ms. McPeak stated that she did not have the exact percentages or figures, but could get those to the members.

Co-Chair Gray then noted that under the Ford and Carroll administrations, Kentucky workers had the privilege of receiving good workers' compensation benefits. He noted that over the years there has been a conscious effort to reduce benefits. He questioned whether the current proposed reduction in workers' compensation rates is due to workers becoming discouraged by the low benefit levels and do not file claims because they have given up hope. He then noted that Kentucky's workers' compensation law is in the bottom 25% in the nation.

Co-Chair Gray continued to state that many workers' compensation lawyers have chosen other fields or decided to prac-

tice out of state. He stated that Ms. McPeak's "good news" has probably been prompted by "bad news" for injured workers. Co-Chair Gray then made the comparison of oil companies only seeking profit and not being concerned about the safety of workers being much like that of the insurance companies.

Ms. McPeak responded that she would provide the data from insurance companies for the committee.

Rep. Yonts asked what has changed in the last 12 months to justify the workers' compensation decrease? Continuing, Rep. Yonts then mentioned that in 2003, the committee was told that rates would need to be increased 20%, but 13% increase was ultimately approved. He questioned if the new rates were simply statistical? Ms. McPeak stated that she was fairly comfortable with the figures, but the final decision has not been made.

Co-Chair Kerr then introduced Carla Montgomery and Phil Harmon to discuss the administrative regulations on the agenda for review and that would become effective on adjournment of the committee meeting. Ms. Montgomery stated that 803 KAR 25:021 was simply a housekeeping regulation for the Office of Workers' Claims that dealt with workers' compensation individual self-insurance.

Co-Chair Kerr then introduced Tommy Barnes, Office of Housing, Building, and Construction to explain 815 KAR 20:030. Mr. Barnes stated that the regulation was simply a clean up regulation relating to fees for plumbing licenses.

Rep. Yonts noted that in Section 1 of the regulation, a \$150 fee was required to take the plumbing exam and after passing the exam, the fee would be \$250 to get a Master's license.

Mr. Barnes noted that these fees had always been the same, they simply weren't in the regulation.

Co-Chair Gray then asked how many plumbers are in Kentucky. Mr. Barnes replied there were approximately 9100 plumbers, 2200 Master plumbers and 7000 Journeymen in Kentucky. He then noted that the total fees collected for one year produce \$880,000 in revenue. Co-Chair Gray asked if any excess revenue would go into the state's general fund? Mr. Barnes stated that \$1.4 million had been taken out of the Department of Plumbing and put into the General Fund.

Co-Chair Kerr reminded members of the September 12 meeting at Kentucky Dam Village, as well as the October meeting to held in Lexington.

Co-Chair Gray motioned to adjourn. Rep. Yonts seconded the motion. There being no further business, the meeting was adjourned.

Interim Joint Committee on Licensing and Occupations Minutes of the 1st Meeting of the 2006 Interim July 14, 2006

The 1st meeting of the Interim Joint Committee on Licensing and Occupations was held on Friday, July 14, 2006, at 10:00 AM, in Room 129 of the Capitol Annex. Senator Gary Tapp, Chair, called the meet-

ing to order, and the secretary called the roll.

Present were:

Members: Senator Gary Tapp, Co-Chair; Representative Denver Butler, Co-Chair; Senators Tom Buford, Julian M Carroll, Perry B Clark, Julie Denton, Carroll Gibson, Robert J (Bob) Leeper, and Dan Seum; Representatives Tom Burch, James Carr, Larry Clark, Ron Crimm, W Milward Dedman Jr, Jon Draud, Dennis Horlander, Joni L Jenkins, Dennis Keene, Stan Lee, Paul H Marcotte, Ruth Ann Palumbo, Jon David Reinhardt, Ron Weston, and Susan Westrom.

Guests: Shannon Stamper, General Counsel, Environmental and Public Protection Cabinet; Lavoyed Hudgins, Executive Director, Laura Moore, Deputy Executive Director, and Steve Humphress, General Counsel, Office of Alcohol Beverage Control; Mac Stone, Director, Division of Value-Added Plant Production, Department of Agriculture; Kristen Branscum, Tourism Development Manager, Department of Tourism; Jim Gallagher, Executive Director, Patricia Cooksey, Deputy Executive Director, Kentucky Horse Racing Authority; and Lisa Underwood, Deputy Commissioner, Department of Public Protection.

LRC Staff: Vida Murray, Bryce Amburgey, Tom Hewlett, and Susan Cunningham.

Senator Tapp called the meeting to order and asked for a motion and a second to adopt the minutes from the last meeting. The minutes were adopted by voice vote.

The first item on the agenda was a report on the implementation of Senate Bill 82; AN ACT relating to wineries and making an appropriation therefor. Lavoyed Hudgins, Executive Director of the Alcoholic Beverage Control (ABC), told the committee that there were 40 wineries in Kentucky, of which 30 were operational. He said that the ABC office had drafted regulations for implementing Senate Bill 82 and has forwarded them to the Cabinet for review. He said that the office has also sent the draft regulations to interested parties for review. The new license for small farm wineries is available to those wineries that do not produce more than 50,000 gallons of wine, annually. He said that only wine that contained at least 75 percent of Kentucky-made or grown products could be labeled as Kentucky wine, and that the ABC may conduct product integrity investigations to determine the origin of the wine. He said that all small farm wineries must have the Federal permit before being licensed in Kentucky as a small farm winery. The department, in conjunction with the Grape and Wine Council, is meeting with the Department of Agriculture to coordinate implementation efforts for the Small Farm Winery license that will be issued January 1, 2007. This new license will take the place of the Small and Farm Winery licenses.

In closing, Mr. Hudgins said that the Small Farm Wholesaler license will be available only to those who do not have a substantial interest in an entity holding a small farm license or operating as a small farm winery.

Senator Carroll asked if there was adequate communication to the wineries. Mr. Hudgins replied that Laura Moore was working as the office's outreach coordinator. Representative Draud asked if there was the potential for the developing new wineries to replace the tobacco industry. Mr. Hudgins said there was no current projection. Senator Tapp asked for the status of the Huber case. Shannon Stamper, General Counsel for the Environmental and Public Protection Cabinet, replied that the Huber case was ongoing; however, now Huber Winery and Cherry Hill Winery have filed a second complaint challenging the new legislation, specifically alleging that the requirement forcing people to purchase wine in person at the wineries still gives preferential access to in-state sellers and discourages shipments out-of state. Steve Humphress, ABC General Counsel said he believed that the Huber lawsuit came from larger wine companies who want access to sell wine over the Internet. Laura Moore, ABC Deputy Executive Director added that the Cabinet did believe that Senate Bill 82 was constitutional.

Mac Stone, Director of the Division of Value-Added Plant Production, Department of Agriculture, gave an update on the Grape and Wine Council's implementation of Senate Bill 82 and the administration of the Kentucky Small Farm Winery Support Fund. Mr. Stone said that the department would take the number of operating wineries beginning in January of 2007 and divide that number by the \$100,000 in the fund. He said currently 21 wineries are selling wine out of their tasting rooms and using that number, there would be \$4,000 available for each winery. He said the department has set up a traceable account for the support fund. Mr. Stone said that the department is working with the Tourism Cabinet to develop a schedule for branding and billboards with \$1,000 set aside for a local market. Mr. Stone said that each quarter the fund will be re-assessed. If some of the smaller wineries are not using their share, the money left over will go back into the fund to be re-distributed to the larger wineries that are using their share of the fund money. Mr. Stone said that \$25,000 had been marked for administration of the Grape and Wine Council whose membership expires on December 31, 2006. On January 1, 2007 a diverse council will be appointed. Mr. Stone said that the department would contract to hire a webmaster to update the Grape and Wine Council website.

Mr. Stone said the council has negotiated with wholesalers a cost of \$12.00 per case for distribution of wine. However, the price of the wine will not change. Mr. Stone said the \$75,000 set aside in the distribution fund would allow each winery to have 300 cases distributed. The department will access the reimbursement to the wholesaler the end of each quarter to calculate the amount of product each winery is selling. Some smaller wineries may not sell any cases, therefore their allotment will go back into the fund to be redistributed to larger wineries. He said they are trying to keep an equal playing field; however, the larger wineries with

higher volume should be able to sell more cases. Mr. Stone said that there are reporting forms being developed for reimbursement and for applications for authorization of wineries and wholesalers. He said there will also be a rating sheet to help determine what was working and to ensure good communication between the office of the ABC, and the Departments of Agriculture and Tourism. He said the council has drafted by-laws for administration that would be adopted at its August meeting and that regulations are being drafted to be submitted for approval. Also, there will be a newsletter sent out to the wineries and the grape growers keeping them updated. Mr. Stone said that Kaan Kurtural, Viticulturist (grape growing) and Dr. Tom Cottrell, Enologist (winemaking) at the University of Kentucky were very important to the success of grape growing and to the quality of grapes at crush time. Mr. Stone said that he and Steve Edwards are working on guidelines to create a small farm distribution license. Mr. Stone said other marketing activities underway were the creation of a Kentucky Wine Trail program and a website.

Kristen Branscum, Tourism Development Director for the Department of Tourism, told committee members the department has developed categories for a marketing strategy including brand development, website development, writing a brochure and purchasing a list of people who have expressed an interest in wine. She said that the department would invite magazine writers and journalist who write articles about wine to Kentucky to familiarize them with Kentucky products. Ms. Branscum said that there will be a media/advertising program and a retail program, which the department expects to have in place by July 1, 2007.

Senator Tapp commended the Office of ABC, and the Departments of Agriculture and Tourism on their cooperation in getting the program up and running. Representative Stan Lee asked who was getting the \$12.00 per case and if there was a limit on the number of cases to be distributed. Mr. Stone responded that the winery and the retailer set the price of the wine. The wholesaler then picked up the wine, warehoused the wine, reported the number of transactions to the Department of Revenue, and distributed the wine for \$12.00 per case. Representative Burch asked if all the growers produced wine or if some only grew grapes and how many gallons of wine were produced per year. Mr. Stone said that the majority were grapes growers contracting with wineries and that production of wine was well over the 6,250 cases that could be supported by the fund. He added that most wineries would still sell wine through their tasting room. Representative Carr asked what the start-up cost would be for grapes compared to other crops, as well as the average return per acre. Mr. Stone said that generally the range was \$6,000 to \$10,000 per acre to establish a vineyard and that there are several years before quality grapes would be harvested. He said depending on the type of grape produced the return could be \$4,000 per acre. Mr. Stone added that

information on grape growing was available at local county extension offices. Representative Draud asked if the transition from growing tobacco to growing grapes would hurt the small farmer. Mr. Stone replied that the Governor's Office of Agriculture Policy had model programs and cost-sharing diversification programs available to growers. Senator Carroll asked if the council planned to do something to increase the production of grapes and said that he, as a legislator, would be interested in assisting the council. Mr. Stone responded that there was more room for growth; but added that certain disincentives are in play such as considerable start-up cost and stiff competition from foreign markets that are able to produce wine cheaper.

The next item on the agenda was an update from the Kentucky Horse Racing Authority on racing regulations for equine drug testing, jockey advertising and international wagering hubs. Patricia Cooksey, Deputy Executive Director of the Authority spoke in favor of the new drug regulations. She said when she was riding horses in the late 70's at Latonia Race Course, now Turfway Park, an owner of a horse she was going to ride told her he had to bring his horse from New York to Kentucky to race because the horse was sore and needed medication. She said in another race her horse took a bad step and was so medicated that it could not feel its broken leg. She said that all the jockeys that she had spoken with agreed that the new medication rules are in the best interest of the sport. Jim Gallagher, Executive Director of the Authority, said that the Equine Medication Rule went into effect September 7, 2005 when Turfway Park opened its fall meet. The Authority was aware that there would be an adjustment period for trainers and veterinarians going from a four-hour to a 24-hour withdrawal period so the Authority worked with veterinarians on the administration of non-steroidal anti-inflammatory drugs to avoid overages. Race day medications are now limited to Furosemide (Lasix), a bleeding medication that helps horses that have pulmonary hemorrhage, and adjunct bleeder medication. Mr. Gallagher said that since the rule was enacted there have been 12 warnings issued, seven fines imposed for overages in violation of the regulation and three post-race positives. He said the Authority has been successful in relaying to trainers and veterinarians the medications that were compliant. He said that the Authority has incorporated by reference a withdrawal guideline schedule into its administrative regulation with the help of the Equine Drug Council. He said this guideline has been distributed to trainers and veterinarians and is posted on the Authority's website. Mr. Gallagher said that Kentucky is on the forefront of major advancements in horseracing. Turfway Park has installed Polytrack, an all-weather synthetic surface that has had a dramatic effect on the number of breakdowns. Keeneland Racecourse has a Polytrack training surface and is currently installing Polytrack on their main racing oval in time for their October meet. He said using this

synthetic surface will increase starts because it maintains a consistent surface in all types of weather.

Representative Clark asked if the horses sold at the Keeneland sales were tested for drugs. Mr. Gallagher said if the horses were in the training sessions they were drug tested; however, the administrative regulations were more particular to the racing industry than the breeding industry. Representative Burch asked how the Authority determined when a drug in a horse's system was "too much" when testing after a race and if there were drugs that could not be detected. Mr. Gallagher said there is a withdrawal guideline schedule so the trainers would know how to administer medications to avoid their horses testing positive. Mr. Gallagher said currently there are 750 compounds that could be detected; however, there are other drugs that can not be detected.

Lisa Underwood, Deputy Commissioner for the Department of Public Protection, gave an update on jockey advertising and international wagering hubs. She said currently jockeys are not allowed to wear advertising or promotional material one hour prior to a race or during a race unless the jockey has the consent of the owner and the licensed racing association for advertisements other than its recognized logo or an entity representing the Jockey's Guild, and specific size requirements are met. Jockeys must fill out a form, found on the Authority's website, with the signatures of the Authority, the owner, and track stewards in order to wear other advertising patches. Ms. Underwood said that prior to Derby Week the Authority sent out notices to all jockeys it anticipated riding at Churchill Downs advising them of these requirements. She said that they are currently updating administrative regulations to clarify what jockeys may wear.

Ms. Underwood said that hubs are a business through which a subscriber-based service conducts pari-mutuel wagering on simulcast horse races after a person sets up an account with the business to wager through that account. She said there have been administrative regulations filed with one public hearing. She said that there has been one public comment and that the Legislative Research Commission wants an application form on file; therefore the Authority is developing a form. Ms. Underwood said the Authority had received one application from a business named Betpad LLC; however, Betpad asked that its application be held until the administrative regulations were approved. She told the committee that late in June, the Authority had met with other potential applicants to get feedback on fees, distribution of money collected from these fees, as well as how to create a good enterprise for Kentucky. Ms. Underwood said the fees established must be competitive with Oregon's and because the statute limited Kentucky to four hubs, generating a profit could be a challenge.

Senator Tapp asked when the regulations would be complete adding that there were many communities in Kentucky that would like to have the opportunity for 30

new jobs. Ms. Underwood said that the regulations should be in place by November. Representative Clark asked if the Authority had any locations in mind to place the hubs and if there was a revenue projection should the Oregon hubs move to Kentucky. Ms. Underwood replied that at this time she could not comment on sites being considered. She said that one hub operator could possibly generate \$300,000. Mr. Gallagher said that there was potential for growth if Kentucky could be successful in attracting the advance deposit racing companies to relocate.

Representative Butler asked staff to contact the Department of Charitable Gaming to attend the October meeting to explain new regulations that were being written prohibiting the use of "hard cards" for Bingo.

There being no further business to come before the committee the meeting was adjourned at 11:35 AM.

Interim Joint Committee on Licensing and Occupations Minutes of the 2nd Meeting of the 2006 Interim August 11, 2006

The 2nd meeting of the Interim Joint Committee on Licensing and Occupations was held on Friday, August 11, 2006, at 10:00 AM, in Room 171 of the Capitol Annex. Senator Gary Tapp, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Gary Tapp, Co-Chair; Senators Tom Buford, Julian M Carroll, Perry B Clark, Julie Denton, Carroll Gibson, Robert J (Bob) Leeper, Ernesto Scorsone, Dan Seum, Robert Stivers II, and Damon Thayer; Representatives Tom Burch, James Carr, Larry Clark, Ron Crimm, W Milward Dedman Jr, Jon Draud, Dennis Horlander, Joni L Jenkins, Dennis Keene, Stan Lee, Paul H Marcotte, Reginald K Meeks, Charles Miller, Ruth Ann Palumbo, Jon David Reinhardt, Ron Weston, and Susan Westrom.

Guests: Van Cook, Executive Director, David Reichert, General Counsel, Office of Housing, Buildings and Construction; Jamie Haydon, Director of Kentucky Breeders Incentive Fund, Kentucky Horse Racing Authority; Lisa Underwood, Deputy Commissioner, Department of Public Protection; Edward Cunningham, Executive Director, Kentucky Higher Education Assistance Authority; and Mary Harvell, General Counsel, Rick Kelley, Controller, and Chip Polston, Vice President of Communication, Kentucky Lottery Corporation.

LRC Staff: Vida Murray, Bryce Amburgey, Tom Hewlett, and Susan Cunningham.

The first item on the agenda, was approval of the minutes from the July 14, 2006, meeting. A motion was made, and with a second, the minutes were adopted by voice vote.

Next on the agenda Van Cook, Executive Director of the Office of Housing, Buildings and Construction asked David Reichert, General Counsel, to explain how Senate Bill 224 had been implemented. Mr.

Reichert said that the purpose of the legislation was to ensure that the view of the applicable advisory committees within the office was made a part of the administrative regulations review process. He said specifically, the bill required that any time the office or the Board of Housing proposed an administrative regulation that affected a particular trade that the appropriate committee or board has an opportunity to review the regulation and make comments on it. He said the bill gives the committee 60 days to offer comments. Any comments by the committee or board would then be submitted with the regulation. He said that emergency or new administrative regulations had a 30-day comment period. Mr. Reichert said that there was minimal effect on the agency because the regulations generally originate from the respective committee or board. Mr. Reichert said the office was still working with LRC staff about filing regulations with comments. He said that the intent of Senate Bill 224 was good and that in general there would not be a change in the time it took for the office to get regulations approved.

Van Cook briefed members on proposed statutory changes. He said that there was a problem with the electrical licensing statute. He said that many applications were being received late and the applicants are being fined. He said that the office was receiving a lot of complaints and felt that the statute should be changed to determine whether an application is timely based on the date the application was postmarked rather than the time the applications were received by the office. He said that the current language was very specific and could not be changed by regulation. Mr. Cook said that the Home Inspectors program would need a clean-up bill. He told the committee that there have been 200 people licensed. Mr. Cook said that the office only inspected passenger elevators. However, out in the state and in some factories people were riding freight elevators and handicapped people were riding in freight elevators. Therefore, the office proposes that legislation be introduced to regulate the inspection of freight elevators. Mr. Cook said that the Fire Marshal wanted to start a coalition for safe cigarettes. Mr. Cook said that Kentucky was the leader of deaths by fire due to smoking in bed. He said that at no additional cost to the tobacco companies, cigarettes could be made with a type of paper that self-extinguishes when not continuously puffed. He said that other states had adopted legislation to require cigarettes sold in their states to use that paper.

Senator Tapp asked if the boiler inspectors currently had a continuing education requirement that would be increased. Mr. Cook said no and that several members of that committee had expressed concern because some inspectors had not kept up with recent. He said it would not generate money; however, it would be a way to make sure that out-of-state inspectors knew the Kentucky regulations for inspection.

Next on the agenda, Lisa Underwood, Deputy Commissioner, for the Department

of Public Protection told committee members that a Breeder's Incentive Fund had been established in 2005 from the sales and use taxes on stud fees. She said that 80 percent goes to the thoroughbred program, 13 percent goes to the standardbred program, and seven percent to the non-race program. Mark Guilfoil, Director of Standardbred Racing, said that the Authority, the Standardbred breeders, and the Kentucky Harness Racing Association met approximately one year ago and decided to use their 13 percent to revitalize the sire stakes program. The Kentucky sired horses would be eligible to win money from races held at the Red Mile. He said that it was felt that this would also help increase the yearling sales. As a result of the incentive fund, six new horses had been brought into Kentucky and have covered a full book. Mr. Guilfoil said he expected there would be more new stallions coming to Kentucky for the next breeding season.

Senator Tapp commented that none of these stallions would have been coming to Kentucky had it not been for the incentive fund. Mr. Guilfoil responded that Valley Victor, the leading Illinois Trotting stallion for the past five years, came to Kentucky after the incentive fund was in place.

Ms. Underwood told the members that in their handout was a Red Mile racing schedule. She told members that there had been discussions with members of thoroughbred constituencies on how their money could be distributed to maximize economic development. She said the consensus was that one of the main qualifications would be to keep the mare in Kentucky during the entire gestation period from this breeding season forward. Ms. Underwood said the authority also wanted to begin payouts for racing in the 2006-racing season. Therefore, the authority wrote an emergency regulation to allow the races run in January to qualify for the funds. Ms. Underwood said there was discussion on how to evenly distribute funds for both Kentucky and non-Kentucky races since some horses sold were raced out-of-state. She said the regulation went into effect on July 7, 2006. Jamie Haydon, the Director of Kentucky Breeders Incentive Fund, told members that the authority had posted an overview of the incentive fund for thoroughbreds on their website. He said that the projected total for mares registered for the fund was approximately 10,500 in the program. He said that the Authority was still processing paper work because they had received approximately 5,000 paper forms three days before the August 1st deadline.

Senator Tapp asked if the authority knew how many mares would have left the state if there was no incentive fund. Mr. Haydon said that the Jockey Club reported 9,943 Kentucky-sired and Kentucky-foaled horses in 2005 and that the authority expects to see 10,000 plus live foals in 2006. He said that in the coming years, Kentucky would see an increase in mares staying in Kentucky to foal. Senator Gibson asked if the authority expects the incentive fund to increase from year to year. Mr. Haydon said the anticipated revenue collected from

stud fees was \$15 million; divided \$12 million for thoroughbreds, \$2 million for standardbreds and \$1 million for non-race breeds. He said if there were more mares coming to Kentucky there would be more sales tax collected, adding that Kentucky has the majority of quality stallions. Senator Thayer noted that the Racing Authority was doing a good job of following the legislative intent. Representative Clark asked the authority to provide a quarterly report to the committee on the in-state and out-of-state participation to determine what percentage of money was going to out-of-state winners.

Mr. Haydon said that 10 race breeds had contacted the authority asking how they could earn part of the \$1 million set aside for non-race breeds. He said he is meeting with each breed representative to set up a plan on how to disburse that money to affected members.

Senator Tapp asked if the saddle horse group had been in contact with the authority. Mr. Haydon said that they had applied.

Next on the agenda was an update on the Kentucky Educational Excellence Scholarship (KEES) program. Edward Cunningham, Executive Director of the Kentucky Higher Education Assistance Authority (KHEAA), told the committee that the KEES program was different from other state programs. He said that the KEES program was a merit-based program that was based on a student's GPA and that students can receive up to \$2,500 per year for four years of post-secondary education. The program provides incentive for students to improve their academic performance. He said that KEES was a very successful program for the state with 165,000 students being awarded over \$365 million since its inception. Mr. Cunningham said that in the academic year 2004-2005, eighty percent of the freshman going to college received KEES awards. In 1998, the Kentucky General Assembly made a commitment to the scholarship by designating proceeds from the Lottery to fund KEES and Kentucky's need-based programs. He said that KEES received 45 percent of net Lottery proceeds. In addition to net Lottery sales, KEES also receives money from unclaimed Lottery prizes. Mr. Cunningham said that for FY2006, KEES was funded \$75,150,000 from net lottery sales and \$11,311,000 from KEES reserve (unclaimed lottery prizes), adding that \$5,625,000 of the net lottery funding received was above the initial projection. Mr. Cunningham said that since FY2005, KHEAA has paid administrative costs totaling \$2.3 million for KEES. Mr. Cunningham said that, according to the state budget office forecast, net lottery proceeds were not sufficient to sustain the program in future years without support from the General Fund. Mr. Cunningham questioned the impact of increased tuition on the KEES program.

Senator Thayer asked if the KEES scholarship was a merit- or need-based program, adding that if the scholarship was based on performance, the GPA should be raised to 3.0 and the ACT score should be eighteen. Mr. Cunningham said

the scholarships were merit-based on a student's GPA or ACT score with the minimum GPA being 2.5 and the ACT score of fifteen. In response to Senator Thayer's questions as to whether higher standards should be imposed Mr. Cunningham said that KHEAA would support any program that the General Assembly provided. Representative Crimm asked if a student that left the Commonwealth for college but came home during the summer and took a college course in Kentucky could apply for KEES money to pay for that course. Mr. Cunningham replied that the student must be in a Kentucky program unless the program is not available in Kentucky. Senator Seum asked if a student who worked and took fewer classes was still eligible for KEES money and if the parents and students were told that their scholarship money came from the lottery. Mr. Cunningham said taking less than a full load reduced the amount of money available and that there was information on where the money came from in the brochure students received. Mr. Cunningham said that the money was not given to the student but sent to the college for the student. He said KHEAA was developing a brochure for the universities to hand out detailing how the money was received. Representative Reinhardt asked if the students who went to the technical schools received scholarships and if there were statistics comparing the success of students who completed two versus four-year programs. Mr. Cunningham said the program was too new for those statistics to be available; however, staff will check for data now to project that success. Senator Buford said there was a benefit to allowing students with a 2.5 because it helps a lot of students who need financial help. Representative Clark said that the Governor's Scholars program was available for the brightest and the best. Senator Leeper asked if the statute still contained the original language referring to awards being pro-rated if there was not enough money in the fund. Mr. Cunningham said the original legislation had not changed and that an award letter is sent to families each year to notify them of the amount their children had earned.

Mary Harvell, General Counsel for the Kentucky Lottery, introduced Chip Polston, Vice President of Communication, Government and Public Relations and Rick Kelley, Controller. Mr. Polston gave a PowerPoint presentation on Lottery Sales and Dividends, the challenges for continued growth, and the projected sales and dividends through 2010. He said that 2006 had been a record breaking year with \$742 million in sales giving \$200 million back to Kentucky. He said that 2005 saw a slight loss due to the Tennessee Lottery going on-line. Mr. Polston said there are three basic products the Lottery offers; scratch-off tickets, pull-tab tickets, and on-line game tickets. The on-line game tickets should not be confused with Internet sales as the Lottery does not sell tickets on the Internet. On-line games include Powerball, Pick 3, and other numbers games. He said that overall growth in the U.S. Lottery industry showed that states

with traditional games saw an annual growth of about 2.4%. while states where the lottery also offered Keno and Video Lottery Terminals (VLTs) saw growth of 11.3% annually. He said that Indiana has 24-hour dockside riverboat casinos and is building a land-based casino in French Lick, scheduled to open in November of this year. He said that West Virginia was considering expanding to table games and that Illinois and Ohio were considering VLTs at racetracks. Mr. Polston said that it appeared that Ohio River casino boats gross handle has leveled out, although admission seems to be steady. Mr. Polston said that expansion of other types of gaming in surrounding states is a challenge for the Lottery's growth.

Mr. Polston said that research conducted by the University of Louisville's Urban Studies Institute in 2005, revealed that few people were aware of how Kentucky Lottery proceeds were distributed. He said that the study showed that 92% of the people surveyed support allowing the Kentucky Lottery Corporation to advertise where proceeds are spent. Mr. Polston said that during the last session there was legislation to change current statute; however, it had failed. Mr. Polston said that in order to offset sales losses the Lottery was adding new scratch-off tickets and looking for new on-line game opportunities. He said that projections for sales included prize expenses for payouts. Mr. Polston said that the Lottery's operating expenses have remained the same in recent years.

Representative Draud asked if the Tennessee Lottery had impacted the Kentucky Lottery sales. Mr. Polston said that counties on the Tennessee border have seen significant sales decreases, up to seventy percent; however, he said that the strength in Powerball sales the past year have helped offset those losses. Representative Weston asked if expanded gaming in Kentucky would affect Lottery sales. Mary Harvell said that should that legislation ever pass in Kentucky, the Kentucky Lottery Corporation would like to be the entity to oversee the operation of the expanded gaming. She said that by assuming the oversight role, the Lottery would protect the scholarships, adding that the corporation had experienced staff familiar with oversight responsibilities. Representative Meeks asked if there were statistics on the money lost due to expanded gaming in surrounding states. Mr. Polston said that, looking at the player base, 10% of the active lottery players are spending less in Kentucky because they are going across the river to play the casino boats. In response to Senator Gibson's question, Mr. Polston said the total dividend transfers overall were 25 to 27 percent and that prize payments were comparable to other states. Senator Leeper asked if there was data from other states on how the state lottery was affected when expanded gaming came into play. Mary Harvell said that in states with expanded gaming and lotteries there was the expectation that there would be negative impact; however, was uncertain because of the different forms of gaming measuring the impact.

There being no further business to come before the committee, the meeting was adjourned at 11:30 a.m.

Interim Joint Committee on Local Government Minutes of the 2nd Meeting of the 2006 Interim July 13, 2006

The second meeting of the Interim Joint Committee on Local Government was held on Thursday, July 13, 2006, at 2:15 PM, CST in International A Room of the Executive Inn Rivermont in Owensboro, Kentucky. Representative Steve Riggs, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Steve Riggs, Co-Chair; Senators Julian M Carroll, Carroll Gibson, Alice Forgy Kerr, and Johnny Ray Turner; Representatives Adrian K Arnold, Ron Crimm, Derrick Graham, Charlie Hoffman, Thomas M McKee, David Osborne, Arnold Simpson, Ancel Smith, and Jim Wayne.

Guests: Senator David Boswell; Representatives Joe Bowen, Fred Nesler, and Tommy Thompson; Tony Carriss, Shelby County Magistrate; Bill Drury, Spencer County Magistrate; Patricia Hawkins and Larry Rogers, Hopkins County; Vickie Vineard, Ballard County; Kenneth Souder and Roger Jolley, Fleming County Magistrates; Sandy Lee Watkins, Henderson County Judge/Executive; Randy Stevens, Trimble County Judge/Executive; Forrest Burkhardt, Trimble County Magistrates; Noel Crum, Johnson County Fiscal Court; Walter Hester, Garrard County; Lewis Warren, Breathit County; Mike Buchanon, Warren County Judge/Executive; D. J. Mastin, Bourbon County Magistrate; Darrell Johnson, Estill County Magistrate; Jack Sumpter, Pendleton County Magistrate; Curtis Watkins, Harris Dockins, and Harold Prince, Logan County Magistrates; Paul Thompson, Floyd County; John Hudson, Boyle County; Casey Puckett and Mary Blevins, Montgomery County; Fred Brown, Crittenden County; Randy Thompson, Knott County; Ron Coleman, McLean County; Jim Townsend, Webster County; Vince Lang, Shellie Hampton, and Wanda Laslie, Kentucky County Judge/Executive Association; Richard Tanner, Kentucky Magistrates and Commissioners Association; Brian Hayes, Scott County; John Talbert, Big Rivers Electric Corporation; Phil Huddleston, Kentucky League of Cities; Jack Couch, Kentucky Council of Area Development Districts; Scott Kimmel, Kenton County;

LRC Staff: Jamie Franklin, Donna Gaines, Mark Mitchell, Joe Pinczewski-Lee, Rebecca Mullins, and Cheryl Walters.

Upon the motion of Senator Carroll, seconded by Representative Crimm, the minutes of the June 28, 2006 meeting were approved.

Representative Riggs announced that the committee was meeting in conjunction with the Kentucky County Judge/Executive Association (KCJEA) and the Kentucky Magistrates and Commissioners Association (KMCA) joint summer convention. He then asked for a moment of

silence in remembrance of Senator Thayer's mother who had recently passed away. Representative Riggs next asked the members to introduce themselves.

Representative Riggs next introduced Shelby County Magistrate Tony Carriss, President of KMCA, for opening remarks. Mr. Carriss welcomed the committee and thanked them for meeting during the convention.

The first order of business was a discussion regarding the final report of the 2005-06 Task Force on Local Taxation. Representative Riggs introduced Ms. Shellie Hampton, Legislative Liaison for the KCJEA, to explain the report. Ms. Hampton told the committee that the report would be formally presented to the committee by LRC staff in September. She said the task force made the following 11 recommendations:

1. A proposed constitutional amendment to allow the General Assembly to establish a more flexible and efficient local government tax structure.

2. A streamlined procedure for the elimination of special taxing districts. Statutes should be amended to allow fiscal courts to eliminate special districts in a more streamlined and efficient manner.

3. Centralized registry for special districts. All existing and newly created special districts should be required to register with the Governor's Office for Local Development within a specified time frame. Registration should be required as a condition of the special districts retaining the authority to operate.

4. Reporting requirements for special districts. Special taxing districts created by fiscal courts, other than those regulated by the Public Service Commission, should be required to have all rates and fees, including rate or fee changes, approved by the fiscal court.

5. Budget submission. Special taxing districts should be required to submit budgets and tax rates to fiscal courts in a timely manner to comply with the county budgeting process.

6. The task force supports the development of incentives to encourage local governments to voluntarily engage in revenue sharing and to eliminate tax credit conflicts and encourages jurisdictions with overlapping taxes that are not uniform to develop interlocal agreements to reduce compliance burdens, including the filing of multiple tax forms by businesses.

7. Creation of a local government financial database. A credible local government financial database including county, cities, and special districts should be created and maintained to provide relevant information about local government finances to decision makers.

8. Require additional information on insurance applications. Legislation needs to be proposed to require insurance agents and insurance companies to place on every application for insurance the name and tax identification number of the jurisdiction where the risk is located. Penalties should be imposed for willful failure to comply.

9. Road aid formula. The General Assembly is encouraged to study the road

aid formula, which has not been significantly amended since 1948.

10. 911 services. The method for funding 911 services needs to be expanded to allow alternative funding sources due to the declining base caused by a reduction in the number of landlines as people switch to cellular telephones.

11. Property Valuation Administrators (PVA). The General Assembly needs to establish a dedicated funding source for PVA offices by devoting 2.11 cents of the state real property tax rate to fund PVA personnel.

Regarding recommendation #8, Representative Crimm asked why the task force decided not to use a number that is already established for insurance agents and companies. Ms. Hampton said she did not know.

Senator Carroll commented that state government and local governments need to join back into a partnership. He said he is concerned about the substantial amount of money being spent on local projects that is putting a strain on the state's budget. Senator Carroll stated that state government has maxed out its credit card. He noted that he is interested in the enactment of most of the recommendations in the task force's report, and commended the task force for a good report.

Representative Hoffman commented that the task force had a total of seven meetings. He noted that a lot of hard work was done by the task force and staff, and thanked the LRC staff.

Representative Graham commented that there are a lot of issues facing counties which should be the responsibility of the state. He encouraged local governments to be persistent in letting the legislature know their concerns.

Representative Wayne, who relieved Chairman Riggs, pointed out that the LRC would review the task force's report at its next meeting. He also noted that the Local Government and State Government Committee's would meet jointly in September to review the report.

The next order of business was a presentation from the Kentucky Magistrates and Commissioners Association (KMCA). Representative Wayne introduced Richard Tanner, Executive Director of KMCA. Mr. Tanner commented that he would like to encourage the Louisville Metro Government to participate in the KMCA. Representative Wayne suggested that Mr. Tanner extend a formal invitation to the mayor and council. Mr. Tanner replied that he would extend an invitation to them.

Mr. Tanner told the committee that there were some items discussed by the task force that did not get into the report relating to the rapidly developing, high growth counties. He said those items included: (1) the authorization for a deed transfer tax, especially for high growth counties who do not have an occupational tax. Mr. Tanner stated that those counties are often called "sleeping" communities, for example, Spencer and Oldham Counties. He added that this would probably only affect 10 to 20 counties; (2) the use of impact fees; (3) the amendment of HB 44. Mr. Tanner noted that there has been a

lot of opposition to change this. He noted that in 1979, the growth of special districts began as a result of HB 44. Mr. Tanner said the KMCA will have some specific recommendations relating to special districts; and (4) annexation and the need for revenue sharing between cities and counties. Mr. Tanner mentioned that 02 HB 314, relating to the coordination of local government finance and sponsored by Representative Hoffman, did not pass and the KMCA would like to look at that in future.

Representative Wayne noted that the House did pass that legislation but that it died in the Senate.

Representative Hoffman commented that impact fees can be essential. He said realtors and developers must come to the table. Representative Hoffman noted that he is working on a new approach to impact fees by renaming them “privilege fees.” He said high growth communities are tapped out and looking for alternatives.

Representative Arnold asked if the provision was still on the books where local governments can enter into interlocal agreements for revenue sharing, but that it was not mandatory. Mr. Tanner said that provision was still on the books. Representative Arnold stated that revenue sharing should be able to be worked out to help some of these other counties.

Representative McKee commented that we have to look at the other side of the coin as to how local governments can become more efficient and share services. Mr. Tanner stated that KMCA has always advocated interlocal agreements.

Senator Carroll commented that the best government is the government closest to the people. He said state government should take over the operation of local jails. Senator Carroll added that an efficient operation of regional jails by state government would save money and remove the burden from local governments.

Senator Gibson commented that the concept of regional jails has been discussed since 1978. He said it is time to move forward. Regarding the recommendations of the task force, he encouraged the committee to study those during the interim.

The last order of business was a presentation from the Kentucky County Judge/Executive Association (KCJEA). Representative Wayne introduced Vince Lang, Executive Director of KCJEA.

Mr. Lang first noted that Representative Graham has had a bill for the last two sessions for a five-year take-over plan of county jails by the state. But, he said the bills have always hit a road block because of no money. Next, Mr. Lang told the committee that there were four issues that the KCJEA would like to see considered during the 2007 session: (1) medical expenses at the county jail level. He said that 06 HB 84, relating to the medical expenses of county jails and sponsored by Representative Montell, would have helped county jails but it did not pass. Mr. Lang said the KCJEA would like to that bill reconsidered during the 2007 session; (2) cost of elections. Mr. Lang noted that HB 519, relating to election costs and sponsored by Representative Arnold, would

have increased state payment, but it did not pass either. He said the KCJEA would like to see that bill pursued as well; (3) assault on local officials. Mr. Lang mentioned that Representative McKee sponsored a bill during the 2006 session that would make an assault on a local official a Class D felony instead of a Class A misdemeanor, but it did not pass; and (4) extension of the retirement window. He said this would only be for those elected officials with 27 years of service.

Representative Graham commented that the KCJEA and KMCA staff do an outstanding job working hard on the local governments' behalf. Regarding the cost of elections, Representative Graham asked what election officials were paid. Mr. Lang said it varies county to county. He noted that it was hard to get qualified workers.

Regarding the 2006 bill relating to the assault of local officials, Representative Graham asked why it did not pass. He added that the legislature should pursue that in 2007. Mr. Lang replied that he did not know why the bill failed.

Representative McKee said he would prefile that bill and attempt to get it passed in the 2007 session.

Representative Arnold gave the committee some background information on the 1982 jail legislation. He said in 1981, Kentucky was the one of five states in the country that did not have jail standards. Representative Arnold stated that the federal courts had threatened to take over county jails if legislation was not passed. He noted that at that time, counties did not want to lose their jails, but times have changed and counties did not have the catastrophic medical costs at that time. Representative Arnold added that county government has changed in that county officials are more professional. He encouraged continued training of county officials and to continue to strive to be better.

Regarding the extension of the retirement window, Senator Carroll commented that he was gravely concerned about the number of experience employees which feel they are being forced to retire by 2009. He added that there is going to be a great loss of experience and knowledge which will seriously impact the operation of state government.

There being no further business, the meeting was adjourned at 3:45 p.m.

Interim Joint Committee on State Government Minutes of the 2nd Meeting of the 2006 Interim July 26, 2006

The second meeting of the Interim Joint Committee on State Government was held on Wednesday, July 26, 2006, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Mike Cherry, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Damon Thayer, Co-Chair; Representative Mike Cherry, Co-Chair; Senators Julian Carroll, Carroll Gibson, Ernie Harris, Alice Forgy Kerr, Elizabeth Tori, and Johnny Ray Turner; Representatives Adrian Arnold, Eddie Ballard, Joe

Barrows, Sheldon Baugh, Carolyn Belcher, Dwight Butler, Tim Couch, Joseph Fischer, David Floyd, Danny Ford, Derrick Graham, J. R. Gray, Mike Harmon, Melvin Henley, Jimmie Lee, Gerry Lynn, Paul Marcotte, Mary Lou Marzian, Lonnie Napier, Stephen Nunn, Jon David Reinhardt, Tom Riner, John Will Stacy, Tommy Thompson, Jim Wayne, and Brent Yonts.

Guests: Bill Hanes, Kentucky Retirement Systems; Gary Harbin, Kentucky Teachers' Retirement System; Sylvia Lovely and Joe Ewalt, Kentucky League of Cities; John Rogers, Sarah Jackson, Rhonda Farmer-Gray, and Connie Verrill – Registry of Election Finance; Ellen Heslen, Office of Auditor of Public Accounts; Brian Crall and Mark Honeycutt, Personnel Cabinet; John Farris, Kristen Webb, and Mark Rutledge - Finance & Administration Cabinet; Trey Grayson and Katie Dunnigan, State Board of Elections; Butch Callery, city of Covington.

LRC Staff: Joyce Crofts, Alisha Miller, Karen Powell, Stewart Willis, and Peggy Sciantarelli.

Representative Cherry recognized Representative Arnold for an announcement. Representative Arnold said he had been contacted by a resident of Paintsville regarding a young boy with a brain tumor who is trying to collect enough business cards to set a Guinness World Record. He said that anyone who would like to help should leave one of their business cards with him today.

First on the agenda was discussion of the issue of “defined benefit” (DB) and “defined contribution” (DC) retirement plans. Representative Cherry said that he and Senator Thayer had discussed the need to start a process for looking at public employee retirement in Kentucky. He said that, hopefully, conducting a dialogue on the issue during the interim may lead to creation of a task force to study the future viability of the retirement systems and consider possible long-term solutions to the funding problems. He stressed that it is not the Committee's intention to do anything that would affect the benefits of current employees and retirees.

The first speakers were Irvin T. “Butch” Callery, mayor of Covington, KY; Sylvia Lovely, Executive Director of the Kentucky League of Cities (KLC); and Joe Ewalt, KLC's Director of Policy Development. Senator Thayer said that his senatorial district abuts the city of Covington and that he had suggested inviting the Mayor to speak today. The following handouts were given to the Committee: a listing, by city, of actual and projected CERS (County Employees Retirement System) payments and projected CERS hazardous and nonhazardous employer contribution rates; article from the Winter 2006 issue of City magazine, “Local Government Pensions: A Time Bomb About To Go Off,” written by KLC's Deputy Executive Director Neil Hackworth; and a recent article from the Cincinnati Enquirer, “Pensions Squeeze City Budgets.”

Mayor Callery said that Covington, the largest city in northern Kentucky, has a general fund budget of \$43 million. The city has 116 sworn police officers, 118 fire-

men, including paramedics, and 55 employees in the public works and recreation departments. He said that in 2003, Covington paid into CERS \$2.9 million from the general fund, will pay more than \$5 million this year, and is projected to be paying \$11 million in 2017. He expressed concern about the high cost of funding hazardous duty retirement and health insurance for retirees; the large number of retirements expected in 2008 before expiration of the higher benefit formula; and the possibility that the city will be forced to hire fewer public safety employees in the future. He said there is a need to start a dialogue now to find ways to check this huge expense; otherwise, cities participating in CERS will be in serious trouble.

Ms. Lovely said that pension funding is a growing and grave concern for KLC's 370 member cities. She expressed appreciation to Bill Hanes and the staff of Kentucky Retirement Systems for working with KLC on this issue. Ms. Lovely went on to say that pensions costs are spiraling out of control due primarily to health care costs, which are also spiraling out of control. In fiscal 2004, Kentucky cities paid about \$80 million into CERS in the form of employer contributions. In fiscal 2006, cities paid more than \$120 million, a 50 percent increase in only two years. Projected contribution rates over the next 11 years will require cities to collectively pay \$2.5 billion into CERS. Cities are already seeing budget shortfalls, layoffs, and cutbacks in services. Changing demographics are enabling people to live longer but with systems and programs designed for an era gone by. Cities do not have a choice about their contributions to public pension funding. The result is a train wreck waiting to happen. Fiscal pressures are worsened by legal limits on the ability of cities to raise revenues.

Ms. Lovely said that KLC recently convened an interactive summit through the Kentucky Community and Technical College System with more than 150 city officials across the state. The goal was to educate officials about the issue and to explore solutions to this complex problem. She noted that Representative Jimmie Lee and Senator Tom Buford participated in the summit and were very helpful. She went on to say that there is no quick fix. Solutions range from the incremental to comprehensive, and all come with difficult decisions. KLC seeks to protect the employees who have faithfully and valiantly served cities and their citizens. Solutions discussed at the summit included incremental steps to focus on health care, such as wellness programs and alternative ways to manage the health care system; restructuring of the CERS board; and less desirable measures such as perhaps increasing employee contributions. Other more comprehensive and complex solutions would include addressing the national issue of health care reform; switching from a defined benefit to a defined contribution retirement system; a state infusion of assistance directly to local governments; and more relief at the local level through options to raise revenue. Ms. Lovely said KLC is glad to have the opportunity to share

ideas with the Committee and to begin dialogue to find long-term solutions to the problem.

Mr. Ewalt said that one of KLC's roles is to try to focus local leaders on the long term. He said that because the most recent legislative changes to retirement and health insurance benefits affect only new hires, it will take time to see the full benefit of those changes. Meanwhile, in the short term, CERS employer contributions are increasing at a rapid rate. He said that Covington is a good example of cities that are hurting the most, since that city has a high percentage of hazardous duty employees. He said that the KLC handout showing projected CERS payments and contribution rates (based on information provided by Kentucky Retirement Systems) illustrates why KLC is alarmed. He called attention to the last page of the handout, which shows that projected increases in employer contribution rates, both hazardous and nonhazardous, are primarily for the insurance fund. He stressed that the retirement system is a great recruiting tool for local governments and that KLC does not want harm done to the retirement system; however, everyone must work together to find ways to enable cities to pay for the benefits.

Senator Carroll noted that in the 1970s he personally opposed "27 and out" because of the potential cost. He suggested that this may be an area to be looked at for possible savings, as well as "20 and out" for hazardous employees. He said that the retirement systems are, and always have been, a tremendous tool for attracting and retaining public employees. He said that in his judgment the real problem is the cost of funding health insurance for retirees. He also commented on the importance of a statewide health insurance wellness program in combating health care costs.

Representative Baugh asked about the cost impact of hazardous employees being able to retire after 20 years of service. Mr. Ewalt explained that the cost to the system is greater than for nonhazardous retirees because the system pays for family health coverage for hazardous retirees.

The next speakers were Bill Hanes, Executive Director of Kentucky Retirement Systems (KRS), and Gary Harbin, Executive Secretary of the Teachers' Retirement System (KTRS). Mr. Hanes provided the Committee with copies of a July 24, 2006, memorandum from him to members of the Committee on the subject of "Defined Benefit vs. Defined Contribution"; and a July 24 letter from Cavanaugh Macdonald Consulting, LLC, to Mr. Hanes regarding the impact on KRS' financial condition if a defined contribution plan were to be established for KRS members. Mr. Harbin provided a handout entitled, "A Unique Comparison of the Defined Contribution Individual Savings Plan to the Defined Benefit Group Retirement Plan."

Senator Gibson asked whether the hazardous category includes any employees who work in administrative positions. Mr. Hanes answered affirmatively. He added that Kentucky probably has more

hazardous categories than other states, most of which provide hazardous coverage only for police and firefighters. Answering another question from Senator Gibson, Mr. Hanes said that employees who retire and subsequently go to work full-time under another retirement system are required to participate in the second retirement system.

Mr. Hanes said that the cost of health insurance, which is a national issue, is driving the KRS funding problem and that the problem will continue to grow as long as health insurance is an issue. He went on to say that most retirement systems do not provide premiums for health insurance and fewer than a handful have a contractual obligation for the health insurance benefit. Defined contribution is not a new issue. It is not a panacea, and converting from DB to DC would not erase the unfunded liability but would actually incur additional cost. When Florida converted, that state paid more than \$50 million just for education. A report conducted by the state of Nebraska determined that its DC retirement plan was more costly, dollar return was less than under a DB plan, and 68 percent of retirees elect a lump-sum payment and eventually squander the money. A defined contribution plan is simply a savings account—not retirement income.

Mr. Hanes said that KRS is in the midst of an asset/liability modeling study, which occurs every five years. Because of the significant underfunding, KRS is preparing to recommend to the Board that the system take more risks in its investments. He again stressed that funding health insurance is the problem. He went on to say that counties are paying less for pension costs today than they were in 1980 but paying much more for the health insurance. KRS' investment consultant recently made the frightening projection that by the year 2010, the liability for health insurance will exceed the pension liability. However, good things have occurred because of the contractual obligation to provide health insurance. For example, 96 percent of KRS retirees remain in Kentucky. Mayor Callery's county receives an economic boost from \$18 million in DB monies paid to retirees. This kind of boost to the economy would not occur under a DC plan. Mr. Hanes reiterated that health insurance is the real issue and that converting to a defined contribution plan is not the solution.

Representative Cherry agreed with Mr. Hanes that defined contribution is not the solution. He called attention to materials in the meeting folders that explain the pitfalls of a defined contribution system. Mr. Hanes pointed out that the state's long-held public policy to provide a defined benefit retirement plan has enabled Kentucky to recruit and retain quality government employees. Referring to Nebraska as an example, he also commented on the likelihood that retirees under a DC plan may become dependent on public assistance after they have used up their lump-sum retirement income.

Senator Thayer asked what should be done to address the health insurance issue. He also remarked that the private

sector's trend toward DC plans has not seemed to have calamitous results. Mr. Hanes explained that in order to address the health insurance problem, major changes were made in the health insurance benefit for new hires employed after 2003, and rules were changed relating to service purchases for purposes of vesting for the health insurance benefit upon retirement. He said there are options for partially relieving the liability in the future, but they are limited by KRS' contractual obligation. For example, the COLA is not contractual and could be eliminated, although the legislature would probably not want to do that. Mr. Hanes said he is not an expert on the private sector, but he knows that people changing jobs in the private sector need more mobility.

Mr. Harbin said he worked in the private sector for 25 years and brought his DC (401k) plan with him when he came to state government. He said that the private sector is moving to DC plans but will not see the impact of that until those people start to retire 20-25 years from now. He went on to say that a DC plan is a savings plan rather than a retirement plan and that the retiree is on his own to manage the retirement account. Because of uncertainty about life expectancy, it is difficult to plan for the future. A retiree cannot live the same quality life under a DC plan as under a DB plan. It is difficult to compare the two types of plans. DC is an individual savings plan, whereas DB is a group retirement plan that is much more efficient than the individual account.

Mr. Harbin gave an overview of the information in his handout. In summary, he said that financial planners recommend retirement income of 76-80 percent of final salary. The average teacher in Kentucky retires at age 55, with 30 years service. Relying on averages, KTRS knows that it must pay the benefit to approximately age 81 for the members. To compensate for the uncertainty about life expectancy, more money must be put into a DC retirement plan to assure the same benefit that would accrue under a DB plan.

KTRS has 4,598 retirees who are over 80 years old and 39 over age 100. The average career educator retires with a pension equal to 72 percent of final average salary. Teachers in Kentucky and 13 other states do not participate in Social Security. The KTRS plan for teachers has been in place since 1938 and pays a better benefit than Social Security. KTRS pays retired teachers \$91 million per month in retirement annuity benefits and \$14 million in medical benefits. Employer contributions pay for only about three years of a retiree's benefits. Teachers, on average, live 26 years after retiring at age 55; the benefits for those years are paid for by the teacher's contribution and the system's investment earnings. Thus, the state pays a very small percentage of the ultimate lifetime benefit paid to retirees. Teachers are also provided a medical benefit on a "pay as you go" basis, which means KTRS must seek funding of the benefit in its annual budget. KTRS is facing a serious issue in the funding of retiree health care. Employers—city, state, local governments, and school districts—

who offer defined benefit plans reap savings when retirees are replaced by new hires at lower salaries. For local school districts the savings is approximately \$321,000,000 per year. Concluding his presentation, Mr. Harbin said that both KTRS and KRS are strongly helping to support the economy of the state.

Representative Thompson asked how many states pay insurance premiums for retirees. Mr. Hanes said that most state retirement systems provide access to group coverage, and many, like Tennessee, give a subsidy. There are other variations, but very few states provide insurance benefits at Kentucky's level. The systems of Ohio and California are probably the most similar, but those states do not have a contractual obligation. The few states that do pay for health insurance are eroding the benefit because of the increasing cost and new GASB (Governmental Accounting Standards Board) requirements.

Representative Thompson raised the issue of the large number of retirements expected before January 2009 in order to take advantage of the higher benefit "window." Mr. Hanes said that a large number of professional career employees are expected to retire before the window expires and that this will be a significant financial "hit" to the retirement systems.

Representative Wayne said that the health insurance problem is affecting not only the retirement systems but also every business in the state, the unions, pension plans, and state and local governments, but that Kentucky is not doing anything about it. He said that Vermont and Massachusetts are taking steps to address the issue. He said Kentucky taxpayers are paying for the half-million uninsured and that this is a major injustice. He suggested that the state is "ready for a revolution" and said something dramatic must be done to fix the problem. He also thanked Mr. Hanes and Mr. Harbin for their efforts.

Senator Carroll asked Mr. Harbin to explain how KTRS has handled health care costs for teachers the last two years. Mr. Harbin explained that for the last two years the state of Kentucky has borrowed from KTRS retirement contributions in order to pay for health care for retired teachers, but those contributions are supposed to be set aside and invested for active teachers. The last biennium \$91 million was borrowed, and it appears that just under \$200 million will be borrowed for the current biennium. There is an agreement that these monies will be paid back to KTRS over a 10-year period at the System's assumed rate of return of 7½ percent. He said that total payback would be in the neighborhood of \$400-\$500 million and that it can be readily seen that this is not a sustainable method for providing health care for retired teachers.

Representative Gray asked whether it is true that a person drawing social security benefits will receive in 2½ years all that they have paid into the social security system. Mr. Harbin said that sounds like a reasonable figure. He pointed out that social security funds are not invested, whereas the retirement systems use in-

vestment earnings to pay benefits to retirees. Representative Gray said he can understand why Mr. Harbin and Mr. Hanes are so emphatic in their negative opinion of defined contribution.

Representative Graham said that today's testimony brings awareness of how important it is to address the retirement systems' funding problem. He said the legislature is not entirely to blame for the underfunding—that the retirement systems had made some investment decisions that were not good. He stressed, however, that the legislature needs to deal with the issue and fulfill its responsibility. Regarding KRS investments, Mr. Hanes explained that during a three-year period the market had declined, and, to the extent that KRS invests in the equity market, investment return suffered. He said that is not a measure of pension funding, however, since pensions are funded on a long-term basis. He added that, without exception, every year KRS investments have performed better than the benchmark, and KRS has also satisfied actuarial assumptions in every cycle over the past 15 years.

Review of executive orders was next on the agenda. Representative Cherry explained that the Committee is charged only with reviewing the orders and does not have to approve them.

The first order reviewed was APA 2006-01, which reorganizes the Office of the Auditor of Public Accounts. Ellen Heslen, General Counsel for the Auditor's Office, summarized the history and effects of the reorganization. There were no questions from the Committee.

The next order reviewed was 2006-680, which reorganizes the Personnel Cabinet. The Cabinet was represented by Secretary Brian Crall and Mark Honeycutt, Executive Director of the Office of Legal Services. Mr. Honeycutt gave a brief explanation of the reorganization, and there was no discussion.

The next orders to be reviewed were 2006-679 and 2006-684. Executive Order 2006-679 reorganizes the Finance and Administration Cabinet and boards administratively attached to the Cabinet. Executive Order 2006-684 reorganizes the Finance and Administration Cabinet. Present from the Cabinet were Secretary John Farris; Kristen Webb, Legislative Director; and Mark Rutledge, Deputy Commissioner of the Commonwealth Office of Technology. Secretary Farris briefly summarized the reorganizations. There was also brief discussion of why the reorganizations had failed to be ratified in previous sessions.

Next on the agenda was review of administrative regulations of the State Board of Elections: 31 KAR 4:160 (Elections Emergency Contingency Plan), and 31 KAR 4:170 (exceptions to prohibition on electioneering). Both regulations were reviewed by the Administrative Regulation Review Subcommittee on June 13, 2006; 31 KAR 4:160 was amended by the Subcommittee. The Board of Elections was represented by Secretary of State Trey Grayson and Katie Dunnigan, the Board's General Counsel. Secretary Grayson briefly explained each regulation.

Representative Napier asked how the situation would be handled if someone wearing a cap advertising support for a political candidate entered the absentee voting area of a courthouse just prior to an election. Secretary Grayson said that in such a scenario the person should be asked to remove the cap and, hopefully, would do so in a mature manner. If the person complied, it would not be a violation of the law; to ignore the warning would be a Class B misdemeanor. He said that the Board is open to ideas on how to avoid criminalizing behavior that is inadvertent or unintentional but that it is difficult to draft regulations that cover every possible situation. There was no further discussion of the regulations.

The next item on the agenda was the second in a series of presentations on campaign finance in Kentucky that began at the Committee's June 28 meeting. Guest speakers from the Registry of Election Finance were John Rogers, Chair; Rhonda Farmer-Gray, Assistant Executive Director; and Connie Verrill, General Counsel. Sarah Jackson, Executive Director, was also in attendance. The Registry transmitted the following handouts in advance of today's meeting: an outline of the composition and purpose of the Advisory Task Force (ATF) for Development of Registry's Legislative Package; ATF member biographical information; and two charts comparing federal and state campaign finance laws. (At the June meeting Ms. Verrill presented an historical overview of campaign finance in Kentucky, and Ms. Jackson addressed the "top ten" features of Kentucky's current campaign finance laws.)

After introductory remarks from Mr. Rogers, Ms. Verrill reviewed highlights of the charts comparing federal and state campaign finance laws. Ms. Verrill said that the charts provide some guidance as to what the Task Force was considering in terms of moving toward a state system with more similarities to the federal system. She said that the Task Force decided to look at the federal system because of the confusion that may result from applying or complying with two different sets of laws. The Task Force also considered that there is more guidance for campaign finance at the federal level, due to federal case law and the sheer volume of regulated political entities.

Ms. Verrill's review is summarized as follows. Exceptions to the definition of "contribution" are codified at the federal level. Statutes at the state level set forth some exceptions; however, based on advisory opinions or case law, several of the exceptions were carved out. The Task Force recommended clarifying the statutes relating to, for example, news stories or editorials by the media, and communications to a restricted class of members.

Currently, at the federal level the limit on individual contributions is \$2,100 per election, as indexed for inflation; the limit was originally \$1,000 in 1974 but was raised to \$2,000 in 2002. In 1996, Kentucky raised the limit to \$1,000 but has not changed it since that time. The Task Force believes the state should continue matching the federal limit.

"Testing the waters" for candidacy is permissible at the federal level and is distinguishable from campaigning for office; there are no registration or reporting requirements for candidates, no matter how much money is raised. A person may explore the feasibility of a candidacy but may not campaign for office and must comply with all contribution limits. Permitted activities may include polling, telephone calls, travelling. Once a candidate decides to run, all funds raised or spent apply to the \$5,000 threshold under the federal definition of candidate. The Task Force looked at "testing the waters" and had some concern about transparency because of the lack of registration and reporting requirements. The Task Force looked at Kentucky's old system of exploratory committees (KRS 121A.015, which was repealed by SB 112 in 2005). Exploratory committees allowed individuals to explore gubernatorial candidacy or determine slate composition but required them to file monthly reports; leftover funds went to the General Fund. The Task Force was concerned about "double dipping"—that an individual could receive contributions from someone and, once the slate was composed, go back to that individual for more money. They were also concerned whether exploratory committees should apply to all statewide campaigns. The Task Force recommended that there be some form of exploratory committee, with perhaps some fine-tuning to answer these concerns.

Ms. Verrill next discussed proposed legislative changes due to court challenges. In summary, she said that the most important recent case in Kentucky is *Anderson v. Spear*, which said that Kentucky's limits on personal loans made by a candidate or slate of candidates to a campaign are unconstitutional. KRS 121.150(13) imposes a \$50,000 loan limit for slates, a \$25,000 loan limit for other statewide candidates, and a \$10,000 loan limit for other offices in any one election. The effect of the *Anderson* decision meant that at this point in time the statute cannot be enforced; so there are no limits on personal loans made by a candidate to his campaign. The Court reasoned that a candidate loan is considered an expenditure until such time as it is repaid or not repaid; then it would become a contribution. Under *Buckley v. Valeo*, restrictions on a candidate's expenditure were ruled unconstitutional—a substantial restraint on the candidate's First Amendment rights. The recommended action under the Task Force's proposal is to remove the unconstitutional monetary limits. However, the Task Force believed that the candidate should only be allowed 180 days following an election to repay the loans. ATF believed this would be a necessary restraint that would allow some limits other than a monetary cap; the 180 days would allow someone who is new to an office to adjust through a transition.

Anderson v. Spear also deemed the ban on post-election contributions after midnight on election day unconstitutional. Thus, the Registry cannot prohibit any candidate or candidate campaign committee with an open account from collecting

contributions after the date of the election to defray the campaign's debts. The Court reasoned that this post-election restriction was not closely drawn. One point was that it affects both winning and losing candidates. The Court also mentioned concern about a donor purchasing undue influence. The Task Force recommended allowing acceptance of contributions for 180 days following an election, provided that: (a) the contribution is designated for that election; (b) the contribution does not exceed the contributor's limit for the designated election; and (c) the campaign has net debts outstanding for the designated election on the day it receives the contribution.

Citizens Against Rent Control v. Berkeley, a 1981 U. S. Supreme Court case, said that limits on contributions to political issues committees are unconstitutional. Under U. S. Supreme Court case law, the \$1,000 limit written into Kentucky statutes cannot be enforced. The Task Force's recommended action was to delete the reference to political issues committees under the contribution limits of KRS 121.150(6). This concluded Ms. Verrill's presentation.

Ms. Farmer-Gray discussed the Task Force recommendations relating to statute simplification and adaptation to the paperless society of the 21st Century. In summary, she said that currently many of the campaign finance statutes are lengthy and confusing—e.g., KRS 121.150 (13), which applies to three different types of candidate. The Task Force found that a candidate would need to refer to nine separate sections of KRS Chapter 121. The problem is not in the substance of the statute but in its organization. House Bill 670 (introduced in 2006 but not enacted) addressed this issue and would clear up much of the confusion. The Task Force also found that it is incumbent on the Commonwealth to conform the statutes to the changes needed in an electronic society and to expand the acceptable methods of not only accepting contributions but also making expenditures. Concluding, Ms. Farmer-Gray said that the Registry and the Task Force believe that a modernization of campaign finance is essential in order to keep from technologically crippling candidates in the Commonwealth.

In closing remarks, Mr. Rogers said that the ATF, a bipartisan, geographically diverse group, worked very hard for eight months in developing their report. He said that at the next two meetings of the State Government Committee he and Registry staff will present a more in-depth view of the Task Force recommendations. He also thanked the Committee for studying the issue and looking at the ATF proposals.

Senator Gibson asked how the 180-day period for candidates to pay back personal loans was determined. Ms. Verrill explained that *Anderson* said that some limits could be imposed if they were closely drawn to meet a sufficient government interest. In that opinion the Court inferred that a time limitation could be acceptable, if closely drawn. The ATF first decided on 120 days but changed it to 180 days to allow for transition time for office new-

comers and other factors. When Senator Gibson asked, Ms. Verrill confirmed that the 180-day limit had not been tested at the federal level.

Representative Arnold said that HB 670 passed the House in 2006 but that the Senate did not have sufficient time to review the legislation. He said that the "housekeeping" part of the legislation, which clarifies and reorganizes the campaign finance statutes, strongly needs to be enacted, for the benefit of the Registry, candidates, and county clerks. He said he hopes that those provisions, at the least, can be enacted in 2007.

The last item on the agenda was a subcommittee report by Senator Thayer, Co-Chair of the Task Force on Constitutional Amendments and Intergovernmental Affairs. He briefed the Committee regarding the Task Force's July 25 meeting and said that the next meeting of the Task Force will be September 26. The report was accepted by the Committee, without objection.

Representative Cherry thanked all of the guest speakers. He reminded the members that the Committee will not meet in August. Business concluded, and the meeting was adjourned at 3:00 p.m.

Interim Joint Committee on State Government Task Force on Elections, Constitutional Amendments, and Intergovernmental Affairs Minutes of the 2nd Meeting of the 2006 Interim July 25, 2006

The 2nd meeting of the Task Force on Elections, Constitutional Amendments, and Intergovernmental Affairs of the Interim Joint Committee on State Government was held on Tuesday, July 25, 2006, at 1:00 PM, in Room 129 of the Capitol Annex. Senator Damon Thayer, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Damon Thayer, Co-Chair; Representative Adrian K Arnold, Co-Chair; Senators Alice Forgy Kerr, and Elizabeth Tori; Representatives James E Bruce, Mike Cherry, Joseph M Fischer, J R Gray, Mike Harmon, Melvin B Henley, Mary Lou Marzian, Darryl T Owens, and Jon David Reinhardt.

Guests: Sarah Jackson, Rhonda Farmer-Gray, and Connie Verrill, Kentucky Registry of Election Finance; Sarah Ball Johnson, State Board of Elections; Vince Lang, Kentucky County Judge-Executive Association; Denny Nunnley, Kentucky Association of Counties; Richard Tanner, Kentucky Magistrates and Commissioners Association, and Bill May, Kentucky County Clerks Association.

LRC Staff: Judy Fritz, Erica Warren and Terisa Roland.

Senator Thayer asked for approval of the June 27, 2006 minutes, and they were approved. He said the first item on the agenda was the summary of legislative recommendations from the KREF Advisory Task Force. Senator Thayer introduced Sarah Jackson, Kentucky Registry of Election Finance, to explain the recommendations. (A Final Report booklet was presented to

the committee).

Ms. Jackson said Representative Arnold introduced HB 670 during the session and that she and Senator Thayer worked on a similar piece of legislation that did not get filed. She said HB 670 encompasses some but not all of the recommendations set forth by the Task Force.

Ms. Jackson reviewed the recommendations resulting from a 2005 study of Kentucky's campaign finance laws. The Task Force recommended changes to Kentucky's election finance laws. Their goals were to preserve the constitutionally guaranteed right of participation in the political process, provide transparency to the financing of elections, create an equal playing field for all participants, and provide public confidence in the integrity of the political system.

Ms. Jackson said the Task Force's proposals are to simplify the laws - regrouping/reorganizing, bring the laws more in line with federal laws, encourage use of technology advances, and to make law less punitive.

Representative Arnold brought the committee up to date on what the House did in the last session regarding the election candidates.

Next on the agenda was Sarah Ball Johnson, State Board of Elections, to discuss the pay for election day workers (a handout was provided to the committee). Ms. Johnson said there was a bill during the session from Representative Arnold, HB 519, that sought to increase the pay of election day workers from a minimum of \$60 to a minimum of \$100 a day.

Ms. Johnson explained that precinct workers are actually called precinct election officers and that statutes provide that the top two political parties, democrats and republicans, provide lists of four names per precincts to the county clerk, and the county board of elections. The county board of elections chooses two names from each party to serve as poll workers. She said that some counties don't always supply the list or names on the list cannot serve that day for some reason. Ms. Johnson said it has been proven to be a constant struggle for the county board of elections to find poll workers, four per precinct. She said they have a long day, thirteen hours, with a tremendous amount of legal responsibility. The minimum pay has not been increased for years, so a pay increase is needed.

Vince Lang, Kentucky County Judge-Executive Association discussed election costs as an inadequately funded mandate. He said the cost of elections is born by county governments. The reimbursement is \$255 per precinct and the cost to hold an election is about \$1200 per precinct per election. Mr. Lang said they agree there needs to be an increase in pay for the poll workers but to also look at the reimbursements that the counties are getting from the state. He said there are statewide elections held three out of four years and that only the state pays the county any money. Mr. Lang said they have requested \$1000 per precinct but will still be short per precinct. He said more money is needed to have well run elections in the counties

throughout the Commonwealth.

Richard Tanner, Kentucky Magistrates and Commissioners Association stated that their association is more interested in the excess fees, not about the election. He said poll workers need to be recruited instead of nominated. He wants to share the cost with the state because the cost goes up every year.

Denny Nunnley, Kentucky Association of Counties said all the facts have been stated and hopes during the next session the General Assembly will fund this issue.

Bill May, Kentucky County Clerks Association said election day workers are required to attend training sessions and that it is a complicated procedure for new workers. Mr. May said there is a lot of support for the proposal from other county clerks.

Representative Arnold asked if on Election Day only two workers showed up in a precinct, would it be able to operate. Ms. Johnson said there is a statue that says if there are not enough poll workers on Election Day then you recruit from the voters. She said hopefully the county clerk would have some alternates.

Senator Thayer reminded the committee there would be no August meeting. The next scheduled meetings are September 26 and November 28.

Business concluded, and the meeting adjourned at 2:30 p.m.

Capital Projects and Bond Oversight Committee Minutes July 18, 2006

The Capital Projects and Bond Oversight Committee met on Tuesday, July 18, 2006, at 1:00 PM, in Room 129 of the Capitol Annex. Representative Mike Denham, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Mike Denham, Co-Chair; Senators Jerry Rhoads and Dan Seum; and Representatives Robert Damron, Paul Marcotte, and Jim Wayne.

Guests testifying before the Committee: Sandy Williams, Kentucky Infrastructure Authority; Terri Fugate, Office of Financial Management; Dennis Humble and Walter Clare, Kentucky Housing Corporation; Jim Ackinson, Kentucky Higher Education Student Loan Corporation; John Hicks, Governor's Office for Policy and Management; Ramendra Dutta, Division of Water; and Jim Abbott and Nancy Brownlee, Finance and Administration Cabinet.

LRC Staff: Mary Lynn Collins, Nancy Osborne, Pat Ingram, Bart Hardin, Kristi Culpepper, and Shawn Bowen.

Representative Denham recognized Representative Jim Bruce, who was in attendance at the meeting.

Representative Marcotte made a motion to approve the minutes of the June 18, 2006 meeting. The motion was seconded by Senator Rhoads and approved by voice vote.

Ms. Sandy Williams, Financial Analyst, Kentucky Infrastructure Authority (KIA), said members' folders included a

report from KIA reporting line-item Coal/Tobacco Development Grants approved in previous sessions of the General Assembly. Representative Denham said no further action was required on these projects.

The next report was provided by Ms. Terri Fugate, Deputy Executive Director, Office of Financial Management (OFM). Ms. Fugate first introduced Mr. Dennis Humble, the new Chief Financial Officer for the Kentucky Housing Corporation (KHC) and Mr. Walter Clare, Financial Management Senior Director, KHC.

Ms. Fugate said OFM submitted three new bond issues to the Committee this month. The first new bond issue she reported was KHC Single Family Housing Revenue Bonds, 2006 Series P, Q, R & S, or additional series as may be designated in an amount not to exceed \$112 million. Proceeds from this issue will provide mortgage financing for first-time low and moderate income Kentucky homebuyers.

Senator Rhoads made a motion to approve the new KHC bond issue. The motion was seconded by Representative Wayne and passed by unanimous roll call vote.

Ms. Fugate next discussed a new conduit bond issue for KHC. She said KHC plans to issue Conduit Multifamily Mortgage Revenue Bonds, 2006 Series A, in the amount of \$7,263,544. The proceeds will be used to finance the acquisition and renovation of Shalom Tower, an existing low-income elderly housing facility in Louisville, Kentucky.

In response to a question from Representative Wayne, Mr. Clare said legislators and members of the Metro Council in the affected district received notification of this project.

Representative Wayne said two years ago the Affordable Housing Trust Fund financed the new HVAC for this building. He said at that time, the Jewish Federation was manager of the building. Mr. Clare said the Jewish Federation is the current owner but is selling the facility to a developer.

Representative Wayne made a motion to approve the new KHC bond issue. The motion was seconded by Representative Marcotte and approved by unanimous roll call vote.

Ms. Fugate next introduced Mr. Jim Ackinson, representing the Kentucky Higher Education Student Loan Corporation (KHESLC). She then reported a new bond issue for the agency: KHESLC Student Loan Revenue Bonds, Series 2006 A-1 through A-5 (Senior) and B-1 (Subordinate) Revenue Bonds. Gross proceeds of \$350,000,000 will be used to make and acquire federal student loans for Kentucky residents and students attending Kentucky colleges.

Mr. Ackinson said this is a typical KHESLC bond issue. The agency normally issues one large bond issue during the year, and all of the debt will be rated AAA in a variable rate mode. He said the financial model KHESLC operates under ensures that they will receive a positive spread over the variable rate since the Department of Education subsidizes on a variable rate basis all the loans to be made under the

program. Mr. Ackinson said the proceeds from this bond issue will not be used all at once, and the bonds will be issued on a delayed delivery basis, based upon projected needs.

Senator Rhoads made a motion to approve the new bond issue for KHESLC. The motion was seconded by Representative Wayne and passed by unanimous roll call vote.

Ms. Fugate then presented two follow-up reports (approval letters) for previously approved bond issues: KHC Revenue Bonds, 2006 Series H (AMT), Series I (AMT) (Variable Rate), and Series J (Taxable), \$94,635,000; and Kentucky Asset/Liability Commission General Fund Tax and Revenue Anticipation Notes, 2006 Series A, \$150,000,000. Representative Denham said the Committee approved these two bond issues at previous meetings, and no further action was required.

Ms. Fugate presented two new school bond issues with School Facilities Construction Commission (SFCC) debt service participation for Allen County and Magoffin County.

Representative Wayne made a motion to approve the two school bond issues. The motion was seconded by Representative Damron and passed by unanimous roll call vote.

Representative Denham then called on Ms. Mary Lynn Collins, Committee Staff Administrator, to review correspondence and information items included in members' folders. Ms. Collins said the folders included three items of correspondence: quarterly status reports on authorized capital projects from the Finance and Administration Cabinet, Murray State University, University of Kentucky, University of Louisville, and Western Kentucky University; the quarterly status report on court facility construction and renovation projects administered by the Administrative Office of the Courts; and the Kentucky Lottery Corporation's monthly financial report for May 2006.

Ms. Collins said two information items were also included in members' folders: a staff update on various capital projects, and the updated monthly and weekly debt issuance calendar. She briefly discussed an article in the staff update concerning the Budget Reserve Trust Fund. She noted that \$112.5 million of the fiscal year budget surplus of \$136.5 million was deposited into the Trust Fund. Based on this action, the Trust Fund balance is now \$231.5 million.

Representative Denham next asked Mr. John Hicks, Deputy State Budget Director, Governor's Office for Policy and Management, and Mr. Jim Abbott, Commissioner, Department for Facilities and Support Services, to present the Finance Cabinet's monthly report to the Committee. Mr. Hicks reported that the Finance and Administration Cabinet has authorized an emergency project for the Department of Military Affairs, Bluegrass Station Building 101 Warehouse Replacement project, at a scope of \$3,151,089. He said last fall fire damaged five bays of the 10-bay facility impacting operations of one of the major tenants, the Special Operations

Forces Support Activity (SOFSA). Mr. Hicks said the warehouse bays are 50 years old, and they plan to enhance as well as replace the facility. As part of this project, SOFSA contributed \$1 million to that effort. The remaining fund sources are insurance proceeds (\$1,103,899), federal funds (\$1,000,000), and Bluegrass Station's restricted funds 2004-06 Maintenance Pool (\$1,047,190).

Representative Denham asked why the insurance is covering only one-half of the cost of the replacement. Mr. Hicks said the Division of Engineering has estimated that it will cost approximately \$1.2 million to replace the building as is, and the value of the fire and tornado insurance was \$1.1 million. However, Mr. Hicks said, based on discussions with the Department of Military Affairs and SOFSA, the building tenant, they decided to enhance the building, and do some other things desired by the tenant and Bluegrass Station staff.

Representative Denham asked if the rent will increase based on the increased cost of the project. Mr. Rick Flynn, Chief Administrative Officer, Department of Military Affairs, said if there is any additional rent, it will be negotiated with the Corps of Engineers.

In response to a question from Representative Denham, Mr. Hicks said the Commonwealth's fire and tornado insurance fund is a self-insurance pool.

In response to questions from Representative Wayne, Mr. Hicks said the Bluegrass Station Maintenance Pool is administered by the Department of Military Affairs, and the pool currently has a balance of \$5 million. He said there are no written guidelines as to the use of Maintenance Pool funds, but most maintenance funds are used for roof repairs, boiler replacements, and infrastructure projects. In this case though, Mr. Hicks said the situation was unique because the tenant is contributing financially to the project as well.

In response to another question from Representative Wayne, Mr. Hicks said it is correct that approximately 20% of the Maintenance Pool funds are being used for this renovation project rather than a maintenance project.

Representative Wayne noted that the defense contractor, SOFSA, is contributing \$1 million to the project. He asked if the contractor plans to reimburse the Maintenance Pool for the remaining cost of this project. Mr. Hicks said the maintenance funds being contributed are at the discretion of the Department of Military Affairs. Once the project is complete, the Department of Military Affairs will then renegotiate lease agreements with the contractor.

Mr. Abbott said, historically, at Bluegrass Station they have appraised the value of the buildings relevant to the market. In this case, they would acknowledge the contribution by the tenant, and discount the rent. The state will have a much improved property. He said once they have allowed the tenant to recuperate the in-kind cost, the rent will be adjusted to reflect the market rate.

Representative Wayne asked if the

expansion and renovation project will create more jobs at the facility. Mr. Hicks said no additional jobs will be added. He explained that the amount of square footage will be the same, but some of the enhancements associated with the project will facilitate their existing operations.

Emergency projects must be reported to the Committee within 30 days. Representative Denham said no further action was required on this project.

Mr. Hicks next reported an allocation of \$1,000,000 from the State-owned Dam Repair Pool for the Beshear Lake Dam project. This project is administered by the Environmental and Public Protection Cabinet, Department for Environmental Protection. Mr. Hicks said this pool allocation will fund a scope increase for an existing project at Beshear Lake Dam. He said Beshear Lake Dam is classified as a high-hazard structure, and they are now ready to initiate the construction and repair of the dam. The revised project scope is now \$2,600,000.

Representative Denham noted the State-owned Dam Repair program has been moved to the Governor's Office for Local Development (GOLD). He asked if GOLD will take over management of the Beshear Lake Dam project. Mr. Hicks said the 2004-06 budget combined the resources of some coal severance money with the traditional resources for the State-owned Dam Repair pool, and for this reason funding was located under the GOLD budget unit. However, the implementation of the project will continue to be done by the Department for Environmental Protection.

Representative Denham noted there have been continual problems with Beshear Lake Dam. He asked if this allocation will complete the repair of that dam. Mr. Ramendra Dutta, Supervisor, Dam Safety and Floodplain Compliance Section, Division of Water, said there are not many structural problems with Lake Beshear Dam, but it is classified as a hazard dam because the height is too low. He said they want to raise the dam by four to ten feet. Mr. Dutta said they have done studies indicating that if the dam breaches, it may flood as far as 38 miles below the dam.

Representative Denham asked about the status of the remaining dams in the state. Mr. Dutta said at least seven or eight dams need immediate attention, but they do not have the funds right now. He said some of the dams were originally labeled as low hazard or a moderate hazard dams, but due to downstream development after the dams were built, those dams were reclassified from low hazard to high-hazard.

Representative Denham said the dams in the state are of concern to him because they are in terrible shape. He said the state needs to make sure it has the ability to repair any of them that are now in a condition dangerous to the public.

Representative Wayne asked if the state has a plan to repair the other dams. Mr. Dutta said initial studies on five dams have been completed. Mr. Dutta said for the Beshear Lake project, they have finished the initial study and are proceeding to the design phase and then construc-

tion.

In response to another question from Representative Wayne, Mr. Hicks said the Environmental and Public Protection Cabinet will be requesting funds in the 2008 session to repair these dams.

Representative Wayne asked if there are any populations at risk below a high-hazard dam. Mr. Dutta said that unless the state receives 28 inches or more of rain at once, there is no immediate danger to people living below the high-hazard dams.

Mr. Hicks next reported an increase in scope and a budget revision for the Knobs State Forest land acquisition project in Bullitt County. The project scope is to be increased by \$61,759 to \$3,346,759 and will be funded by restricted funds of \$1,163,690 (35%) and federal funds of \$2,183,069 (65%).

Mr. Hicks then reported allocations from the Cabinet for Health and Family Services' two pools that are part of the Statewide Repair, Maintenance, and Replacement Bond Pool to replace two roofs and repair six roofs at Western State Hospital. The scope of the Western State Hospital Roof Repair/Replacement project is \$461,104.

Mr. Hicks then discussed an allocation of \$490,000 from the Parks Maintenance Pool for the Dale Hollow Lake State Park Camp Control / Grocery Building project. The one-story, 1,100 square foot building will be concrete slab on grade with wood framing construction, and includes a small parking lot. This project was initially estimated to cost \$275,000, but the low bid received totaled \$490,000.

Representative Denham asked why there was such a large project scope increase for this project. Mr. Abbott said the large scope increase is due to the rising costs of materials such as copper and petroleum-based products. He said some of project costs increases are seasonal, and depend upon the type of project, the location, and the bid climate. Mr. Abbott said they have seen cost increases in the 30%-40% range.

Representative Wayne asked about what appeared to be high construction costs for the project. Mr. Abbott said this is a turnkey project, and equipment and furnishings are included in the project bid.

Lastly, Mr. Hicks reported an allocation of \$848,000 from the Fees-in-Lieu of Stream Mitigation Projects pool. The funds will be used for a project administered by the Department of Fish and Wildlife entitled Upper Laurel Creek - Lawrence County. This project entails the restoration and enhancement of approximately 2,600 linear feet of Upper Laurel Creek, plus about 400 feet of small tributary.

Representative Denham said no action was required on any of the projects Mr. Hicks reported.

Representative Denham then introduced Ms. Nancy Brownlee, the Director for the Division of Real Properties. Ms. Brownlee first presented a temporary emergency lease renewal report for the Commonwealth Office of Technology in Franklin County. She said this lease expired June 30, 2006, before the completion of the lease procurement process. The lessor

has advised that he will not extend the existing lease agreement without a rental rate increase. Therefore, the Finance Cabinet declared an emergency under state leasing statutes to temporarily renew this lease until July 31, 2006, at an annual cost of \$86,114, an increase in leasing costs of 49%.

Ms. Brownlee said they have advertised for this lease and have received two best and final proposals. The anticipated completion date of the procurement process is August 1, 2006.

Ms. Brownlee next reported a lease modification report for the Department of Labor, Workers' Compensation Program, in Franklin County. The Department of Labor submitted a request to upgrade the cooling capacity of its network equipment room. Ms. Brownlee said two bids were received, and the agency recommended acceptance of the lower bid. However, the lessor recommended acceptance of the higher bid from Sorg Cooling and Heating. She said the lessor will pay the difference between the two bids (\$939). The lessor recommended acceptance of the bid from Sorg because of additional humidity control measures included in the bid.

No action was required for the two lease reports.

Representative Denham said the Committee will meet on the fourth Tuesday in August due to a conflict with the NCSL in Nashville. The next meeting is scheduled for Tuesday, August 22, at 1 p.m., at the Centralized Lab Facility in Frankfort.

With there being no further business, Representative Damron made a motion to adjourn the meeting. The motion was seconded, and the meeting adjourned at 1:50 p.m.

Administrative Regulation Review Subcommittee Minutes of the July Meeting July 11, 2006

The August meeting of the Administrative Regulation Review Subcommittee was held on Tuesday, July 11, 2006, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Tanya G. Pullin, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Richard "Dick" Roeding, Co-Chair; Representative Tanya G. Pullin, Co-Chair; Senators Joey Pendleton, and Gary Tapp; Representatives James E. Bruce, Jimmie Lee, and Jon David Reinhardt.

Guests: Kathryn Dunnigan, Sandy Milburn, State Board of Elections; Laura Ferguson, Gary Morris, Angela Robinson, Finance and Administration Cabinet; Allie Heck, Wilma May, Dena Moore, Tammy Rouse, Elnora Wade, Regina Webb, Board of Hairdressers and Cosmetologists; Richard Carroll, State Board of Accountancy; Nathan Goldman, Diane Thomas, Board of Nursing; Becky Klusch, Board of Physical Therapy; Klaus O. Becker, RRT, Omer Thompson, Anna Jones, Tami McDaniel, Wade Root, Board of Respiratory Care; Larry Disney, James J. Grawe, Real Estate Appraisers Board; Russell Anderson, Scott

Porter, Teresa Moon Flaherty, Board of Interpreters for the Deaf and Hard of Hearing; Cara Jarrel, Benjy Kinman, Kentucky Department for Fish and Wildlife Resources; Amy Barker, Department of Corrections; LaDonna Koebel, Department of Juvenile Justice; Kevin Noland, Board of Education; Carla H. Montgomery, Nicole Smith, Office of Workers' Claims; Carrie Banahan, DJ Wasson, Office of Insurance; Greg Jennings, Office of Financial Institutions; Rose C. Baker, Tim House, Michael D. Bennett, Office of Housing, Buildings and Construction; Mike Haney, Richard Peddicond, State Fire Marshall; Russell Sanders, National Fire Protection Association; Steve Davis, Elizabeth Caywood, Wendy Cumpston, David A. Gayle, Bobbie Walters, Cabinet for Health and Family Services; Kihra Ayres, Gulaine Baptiste, Abigail Beatty, Jasmine Bell, Ashley Bensing, Amber Blandford, Lauren Boone, Arica Brown, Laura Buckner, Katie Burke, Lisa L. Burton, Jennifer Crump, Norma Curl, Deanna Dattilo, LeAnn Davis, Brittany Denny, Nicole Faulkner, Barbara Franson, Angel Fulkerson, Amy Guernsey, Casey Goben, Victoria Haddix, Heather Halbert, Angela Hale, Mary Beth Hardin, Tracy Hill, Amber Hyde, Callie Ivester, Erica Jagers, Jessica A. Kelly, Shakeshia McCall, Lora McCamish, Terra Milby, Destayne J. Moffit, Erica Nemeth, Tasse O'Brien, Angela M. Oliver, Michael Peters, Cassy Poirier, Angela Quinn, Mary Randolph, Jessalyn Elise Read, Jessica Rinkel, Griselda Rodriguez, Jimmé Scott, April Simondiski, Tiffany Smith, Erin Snow, Christin Swanson, Eryn Teel, Rachelle Thomas, Jermekia Vance, Jessica Vessels, Marva Walter, Esther West, Gabrielle Williams; The Hair Design School; Lisa Barnet, Courtney Brown, Krystal Gouge, Elizabeth Grivetti, Angela Huff, Tiffany Mardis, Jeff Nguyen, Joe Nguyen, Sherry Raleigh, Veronica Ramsey, Tracy Selby, Rachella Smith; Cosmetology Students; Jeremy Braun Saldenx Salon and Spa; Christina Hix, Jack Wallen, Laura Wright, Board of Cosmetology; Johnnie Hood, Kentucky Congress of Cosmetology; Thelma B. Martin, Beverly McCauley, Rebecca Taylor, Cosmetology School Owners; Zenda Stakelbeck, Z Salon and Spa; and Patricia A. Stephenson, Salon Owners.

LRC Staff: Dave Nicholas, Emily Caudill, Donna Little, Karen Howard, Emily Harkenrider, Ellen Steinberg, and Roslyn Hendrickson.

The Administrative Regulation Review Subcommittee met on Tuesday, July 11, 2006, and submits this report:

STATE BOARD OF ELECTIONS Forms and Procedures

31 KAR 4:040. Procedures for absentee voting in county clerk's office. Katie Dunnigan, general counsel, and Sandy Milburn, assistant director, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add statutory citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation; (3) to amend Sections 1 and 2 to clarify requirements relat-

ing to voting procedures and delete language that was repetitive of KRS 117.255; and (4) to amend Sections 1 and 2 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Voting

31 KAR 5:030 & E. Exception to time restriction on voting for voters who require the use of an accessibility device. A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation; and (2) to amend Section 1 to clarify that the exception to the two-minute voting time limit established in KRS 117.255(7) was in accordance with federal law, 42 U.S.C. 15481(a)(3)(A). Without objection, and with agreement of the agency, the amendments were approved.

FINANCE AND ADMINISTRATION CABINET:

Department of Revenue General Administration

103 KAR 1:040 & E. Waiver of penalties. Gary Morris, executive director, and Laura Ferguson, Office of General Counsel, represented the cabinet.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (2) to amend Sections 1 and 3 to comply with the drafting and format requirements of KRS Chapter 13A; and (3) to amend Section 1 to establish additional criteria for providing reasonable cause for noncompliance, including the unavoidable absence of a taxpayer, employee theft or defalcation, and ignorance of reporting requirements. Without objection, and with agreement of the agency, the amendments were approved.

Income Tax: General Administration

103 KAR 15:020 & E. Election to pay share of tax on behalf of corporation. A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to insert statutory citations; (2) to amend Section 1 to insert a definition for "taxpayer making an election"; (3) to amend Section 2(1) to entitle the taxpayer making an election to the protest and appeals rights of KRS 131.110 and rights provided under KRS 131.081 relating to the amount of tax due under the election; and (4) to amend Sections 2 and 3 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

103 KAR 15:140 & E. Biodiesel tax credit. In response to questions by Representative Bruce, Mr. Morris stated that this administrative regulation did not include an income tax credit for ethanol because it was not authorized by statute. So far, only the biodiesel tax credit had been enacted.

In response to a question by Senator

Pendleton, Ms. Ferguson stated that KRS 141.143 permitted a tax credit for a biodiesel blend if it was at least two (2) percent biodiesel. A twenty (20) percent blend was not required.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to insert statutory citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation; (3) to amend Section 1 to insert a definition for "ASTM"; (4) to amend Sections 2 and 3 to clarify that these sections referred to the Schedule BIO form; (5) to amend Section 4 to clarify the circumstances under which the Schedule BIO or Schedule BIO (K-1) shall be attached to tax returns claiming the biodiesel credit; (6) to insert a new section outlining requirements for establishing proof that the American Society for Testing and Materials biodiesel standards have been met; and (7) to amend Sections 1 to 6 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Income Tax: Corporations

103 KAR 16:220 & E. Alternative minimum calculation. A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (2) to amend Sections 1, 2, and 3 to comply with the drafting and format requirements of KRS Chapter 13A; and (3) to amend Sections 1, 2, and 4 to establish provisions relating to the determination of the alternative minimum calculation in response to House Bill 1 enacted during the 2006 Special Session. Without objection, and with agreement of the agency, the amendments were approved.

GENERAL GOVERNMENT CABINET Board of Accountancy Board

201 KAR 1:015. Meetings. Richard Carroll, executive director, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend the title of the administrative regulation to accurately represent the subject matter; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation; and (3) to amend Sections 1 to 3 to remove superfluous language. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 1:050. License application. A motion was made and seconded to approve the following amendments: to amend Section 1 to clarify the requirements for an applicant who was not a citizen of the U.S. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 1:190. Computer-based examination sections, applications, and

procedures.

Board of Hairdressers and Cosmetologists
Board

201 KAR 12:020. Examination. Regina Webb, chair, Wilma May, administrator, and Dena Moore, executive secretary, represented the board. Mary Randolph, Hair Design School, appeared in favor of this administrative regulation. Patricia Stephenson, salon owner; Rebecca Taylor and Beverly McCauley, cosmetology school owners; and Johnnie Hood, Kentucky Congress of Cosmetology, appeared in opposition to this administrative regulation.

In response to questions by Representative Lee, Ms. Taylor stated that this administrative regulation required applicants to use mannequins rather than live models for their examination. However, a better policy would be to permit applicants to use mannequins or live models because her students preferred to use live models. At her school, students worked on live models for 1,500 of their 1,800 required hours. Ms. McCauley added that students should also be examined on live models for public protection. Mannequin use did not adequately test the applicant's mastery of health and safety practices which were very important in this field.

In response to questions by Co-Chair Pullin, Ms. McCauley stated that some applicants wanted to use mannequins because it could be difficult to find live models for the haircut portion of the examination. She suggested that mannequins be allowed for the haircut, but live models be required for the remainder of the examination. Ms. Taylor added that testing with live models was particularly important for the nail procedures because of their greater health and safety risks.

In response to questions by Representative Reinhardt, Ms. Taylor stated that schools did not have to graduate students with insufficient safety practices.

In response to questions by Senator Tapp, Co-Chair Roeding stated that eighty-five percent of states required mannequins to be used for the examination. Ms. Moore added that only two states allowed mannequins or live models to be used. Additionally, switching to mannequin use only would benefit the applicants and the board because the board could examine more applicants in less space for less money. Permitting the use of both would nullify all of those advantages.

A motion was made and seconded to approve the following amendments: (1) to amend Section 12 to specify the circumstances when the Board would waive the examination fee for a rescheduled examination; (2) to create a new Section 13 to incorporate by reference the required application forms; and (3) to amend the STATUTORY AUTHORITY paragraph and Sections 1, 3, 4, 5, and 11 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Board of Nursing
Board

201 KAR 20:215. Continuing competency requirements. Nathan Goldman, general counsel, represented the board.

201 KAR 20:490. Licensed practical nurse intravenous therapy scope of practice. A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to correct statutory citations; and (2) to amend Sections 1 and 6 to correct minor drafting errors. Without objection, and with agreement of the agency, the amendments were approved.

Board of Physical Therapy
Board

201 KAR 22:045. Continued competency requirements and procedures. Becky Klusch, executive director, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct statutory citations; (2) to amend Section 1 to clarify the definitions of "contact hour" and "continued competency" and delete the term "continued competency hour"; (3) to amend Section 2 to state that continued competency shall be based on contact hours awarded, and replace the term "continued competency hours" with the correct term, "contact hours"; (4) to amend Section 2(2)(b) and 2(2)(f) to clarify how many contact hours shall be awarded per activity; and (5) to amend Section 1 and 2 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Respiratory Care Board
Board

201 KAR 29:010. Activities under limited mandatory certification. Klaus Becker, vice chair, Tami McDaniel, board member, and Wade Root, board member, represented the board.

201 KAR 29:015. Fees. In response to questions by Representative Lee, Ms. McDaniel stated that the fee increases in this administrative regulation had been publicized in advance. The Kentucky Society of Respiratory Care, the professional association for respiratory care, had included the proposed and finalized fee increases in its newsletters.

In response to questions by Representative Reinhardt, Ms. McDaniel stated that nonmembers also had access to the society's newsletters because the society provided them to hospitals and other places of employment.

In response to questions by Representative Bruce, Ms. McDaniel stated that the newsletters had noted that the board was proposing the fee increases.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation; and (2) to amend Section 3 to delete mandatory fines for persons practicing after their licenses have expired and to correct a minor formatting error. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 29:050. Continuing education requirements.

Real Estate Appraisers Board
Board

201 KAR 30:040. Standards of practice. Larry Disney, director, and Jim Grawe, general counsel, Attorney General's Office, represented the board.

In response to a question by Representative Reinhardt, Mr. Disney stated that this administrative regulation implemented the federal requirement that appraisals follow uniform standards.

Board of Interpreters for the Deaf and Hard of Hearing
Board

201 KAR 39:050. Renewal of licenses and extension of temporary licenses. Teresa Flaherty, chair, Russell Anderson, board member, and Scott Porter, assistant attorney general, represented the board.

In response to questions by Co-Chair Roeding, Ms. Flaherty stated that this amended administrative regulation limited the number of extensions allowed for temporary licenses. The board hoped the limits would encourage more temporary licensees to complete the requirements for full licensure so that active interpreters would be better qualified and more professional. Mr. Porter stated that the amendments closed the current loophole which allowed unlimited renewals of temporary licenses.

A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to correct statutory citations; and (2) to amend Sections 3 to 6 to correct formatting. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 39:070. Application, qualification, and certification levels for temporary licensure. A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to correct statutory citations; and (2) to amend Section 1 to correct a minor drafting error. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 39:090. Continuing education requirements. A motion was made and seconded to approve the following amendments: (1) to amend Sections 2, 3, 5, and 6 to comply with the drafting and formatting requirements of KRS Chapter 13A; (2) to amend Section 6 to require that licensees selected for audit of CE hours be selected at random; and (3) to amend Section 8 to correct an internal reference. Without objection, and with agreement of the agency, the amendments were approved.

COMMERCE CABINET
Department of Fish and Wildlife Resources
Fish

301 KAR 1:085. Mussel shell harvesting. Benjy Kinman, director, and Cara Jarrell, attorney, represented the department.

JUSTICE AND PUBLIC SAFETY CABINET

Department of Corrections

Office of the Secretary

501 KAR 6:060. Northpoint Training Center. Amy Barker, assistant general counsel, represented the department.

A motion was made and seconded to approve the following amendments: to amend Section 1 and NTC 10-01-01 to delete a provision that authorized the Warden to amend the policy outside the regulatory process. Without objection, and with agreement of the agency, the amendments were approved.

Youth Alternative Centers

501 KAR 12:001. Repeal of 501 KAR 12:010, 12:020, 12:030, 12:040, 12:050, 12:060, 12:070, 12:080, 12:090, 12:100, 12:110, 12:120, 12:130, 12:140, and 12:150.

Department of Juvenile Justice
Child Welfare

505 KAR 1:101E. Department of Juvenile Justice Scoring SOP. LaDonna Koebel, assistant general counsel, represented the department.

EDUCATION CABINET

Board of Education
Department of Education
Office of Instruction

704 KAR 3:303. Required program of studies. Kevin Noland, deputy commissioner, represented the board.

704 KAR 3:490. Teacher's Professional Growth Fund. A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs and Section 1 to correct statutory citations; and (2) to amend Sections 2, 3, 4, and 5 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

704 KAR 3:530. Mathematics Achievement Fund. A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to correct a statutory citation; and (2) to amend Sections 1 and 2 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

ENVIRONMENTAL AND PUBLIC PROTECTION CABINET

Department of Labor
Office of Workers' Claims

803 KAR 25:021. Individual self-insurers. Carla Montgomery, general counsel, represented the department.

In response to a question by Co-Chair Roeding, Ms. Montgomery stated that this administrative regulation updated the minimum requirements for an individual self-insurer, such as requiring a certification of medical reserves.

In response to a question by Representative Bruce, Ms. Montgomery stated that this administrative regulation only applied to individual self-insurers. Group self-insurers were regulated by the Office of Insurance.

A motion was made and seconded to approve the following amendments: to amend Sections 1, 2, 3, 5, 9, 10, and 12 to comply with the drafting and format requirements of KRS Chapter 13A. Without

objection, and with agreement of the agency, the amendments were approved.

Department of Public Protection
Office of Insurance
Administration

806 KAR 2:081. Repeal of 806 KAR 2:080. Carrie Banahan, deputy executive director, represented the department.

Authorization of Insurers and General Requirements

806 KAR 3:101. Repeal of 806 KAR 3:100.

Assets and Liabilities

806 KAR 6:031. Repeal of 806 KAR 6:030, 6:040, and 6:050.

Investments

806 KAR 7:051. Repeal of 806 KAR 7:050, 7:060, 7:070, and 7:080.

Office of Financial Institutions
Administration

808 KAR 1:050. Retention of records. Greg Jennings, general counsel, represented the department.

In response to questions by Co-Chair Roeding, Mr. Jennings stated that this administrative regulation updated and modernized the record retention schedule to reflect the current practices of financial institutions.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (2) to amend Sections 1, 3, and 4 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Office of Housing, Buildings and Construction

Standards of Safety

815 KAR 10:060. Kentucky standards of safety. Tim House, director, and Michael Bennett, staff attorney, represented the office.

In response to a question by Co-Chair Roeding, Mr. Bennett stated that home builders had not expressed any concerns about this package of administrative regulations.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct statutory citations; (2) to amend Sections 1, 2, 3, 5, 8, and 9 to comply with the drafting and format requirements of KRS Chapter 13A; (3) to amend Section 2 to change a reference from single family dwellings to one (1) and two (2) family dwellings; (4) to amend Section 3(4) to add to the list of excluded codes, code reference 13.3.2.6.1, existing assembly occupancies; and (5) to amend Section 8(3) to correct chapter references to the national code. Without objection, and with agreement of the agency, the amendments were approved.

Plumbing

815 KAR 20:020. Parts or materials list. A motion was made and seconded to approve the following amendments: to amend Section 5 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement

of the agency, the amendments were approved.

815 KAR 20:030. License application; qualifications for examination, examination requirements, expiration, renewal, revival or reinstatement of licenses. A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1, 2, and 5 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

815 KAR 20:050. Installation permits. A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct statutory citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (3) to amend Sections 1, 2, 4, 5, and 7 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

815 KAR 20:055. Water heater devices. A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct statutory citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (3) to amend Sections 1 and 2 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

815 KAR 20:070. Plumbing fixtures. A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 2, 6, 7, 11, and 12 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

815 KAR 20:090. Soil, waste, and vent systems. A motion was made and seconded to approve the following amendments: to amend Sections 3, 4, 6, 29, 36, and 37 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

815 KAR 20:120. Water supply and distribution. A motion was made and seconded to approve the following amendments: to amend Sections 2, 12, 18, and 21 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Division of Fire Prevention
Electrical Inspectors

815 KAR 35:060. Licensing of electrical contractors, electricians, and master electricians pursuant to KRS 227A.060. A motion was made and sec-

onded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct statutory citations; and (2) to amend Sections 2, 5, 6, 7, and 10 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

CABINET FOR HEALTH AND FAMILY SERVICES

Department of Public Health
Office of the Inspector General

906 KAR 1:100. Nurse aide abuse registry, home health aide abuse registry, and hearing procedures. Steve Davis, deputy inspector general, represented the office.

A motion was made and seconded to approve the following amendments: (1) to amend Section 3 to specify that the fifteen days to file exceptions began when the findings by the hearing officer were mailed to a party, in accordance with KRS 13B.110(4); and (2) to amend the RELATES TO and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 to 4 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department for Community Based Services

Division of Policy Development
K-TAP, Kentucky Works, Welfare to Work, State Supplementation

921 KAR 2:055. Hearings and appeals. Elizabeth Caywood and David Gayle, regulation coordinator, represented the department.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct statutory citations; (2) to delete Section 2 regarding hearing representation, because it conflicted with KRS Chapter 13B; (3) to amend Section 6(2) to include time and location of the hearing as information required in the notice; (4) to delete Section 6(3) regarding written notice, because it conflicted with KRS Chapter 13B; (5) to delete parts of Section 13 that were repetitive of KRS Chapter 13B; and (6) to amend Sections 6, 10, 13, 14, and 16 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Food Stamp Program

921 KAR 3:050. Claims and additional administrative provisions. A motion was made and seconded to approve the following amendments: (1) to amend Section 6 to delete confusing language regarding actions taken when the cabinet failed to provide notice of adverse action; and (2) to amend the title and Sections 6 and 7 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

921 KAR 3:070. Fair hearings. A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct statutory

citations; (2) to amend Section 2(1)(c), Section 5(3), and Section 7(1) to clarify that federal law required the provisions that differed from KRS Chapter 13B; (3) to delete parts of Section 16 that were repetitive of KRS Chapter 13B; and (4) to amend Sections 2, 4, 5, 7, 8, 16, 17, and 19 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Child Welfare

922 KAR 1:350. Family preparation. A motion was made and seconded to approve the following amendments: (1) to amend Section 17 to clarify that the home review shall be completed within thirty days of notification of a risk factor; (2) to amend Section 18 to delete the reference to adoption home closure; (3) to amend the incorporated by reference material to update form DPP-112A; and (4) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Section 4 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Day Care

922 KAR 2:180. Requirements for registered child care providers in the Child Care Assistance Program. In response to questions by Representative Bruce, Ms. Caywood stated that day cares would not need to raise their rates to implement these two administrative regulations because they did not increase any fees.

A motion was made and seconded to approve the following amendments: to amend Sections 1 and 2 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

922 KAR 2:240. Kentucky early care and education trainer's credential and training approval. A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 2, 3, and 17 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

The following administrative regulations were deferred to the next meeting of the Subcommittee:

GENERAL GOVERNMENT CABINET
Real Estate Commission
Commission

201 KAR 11:011 & E. Definitions for 201 KAR Chapter 11.

201 KAR 11:105. Advertising listed property; advertising public information about specific property; when consent and authorization of owner or principal broker is required.

201 KAR 11:121 & E. Improper conduct.

201 KAR 11:250. Listing and purchase contracts and other agreements entered into by licensees; provisions required.

Board of Chiropractic Examiners
Board

201 KAR 21:015. Code of ethical conduct.

201 KAR 21:025. Board; officers, duties.

201 KAR 21:031. Board meetings.

201 KAR 21:041. Licensing; renewals, fees.

201 KAR 21:045. Specialties.

201 KAR 21:051. Board hearings; complaints.

201 KAR 21:055. Colleges and universities; accreditation, approval.

201 KAR 21:060. Clinics; offices.

201 KAR 21:065. Professional advertising.

201 KAR 21:070. Licensing examination requirements.

201 KAR 21:075. Peer review procedures and fees.

201 KAR 21:080. Seventy-two (72) hour right of rescission.

201 KAR 21:085. Preceptorship program.

201 KAR 21:095. Licensure and registration of persons performing peer review.

201 KAR 21:100. Minimum standards for recordkeeping/itemized statements.

Board of Licensure for Private Investigators

Board

201 KAR 41:020. Application for licensure.

201 KAR 41:040. Fees.

201 KAR 41:060 & E. Renewal and reinstatement procedures.

201 KAR 41:070. Continuing professional education requirements.

201 KAR 41:080. Complaint procedure.

201 KAR 41:090. Code of ethics.

EDUCATION CABINET

Kentucky Board of Education

Department of Education

Office of Instruction

704 KAR 3:305. Minimum requirements for high school graduation.

ENVIRONMENTAL AND PUBLIC PROTECTION CABINET

Kentucky Horse Racing Authority

Thoroughbred Racing

810 KAR 1:080. International wagering hubs.

Office of Housing, Buildings and Construction

Board of Home Inspectors

815 KAR 6:010 & E. Home inspector licensing requirements and maintenance of records.

815 KAR 6:020. Advertising by home inspectors.

815 KAR 6:030. Home inspector standards of conduct.

815 KAR 6:040 & E. Home inspector preclicensing and continuing education providers.

The subcommittee adjourned at 11:55 a.m. until August 8, 2006 at 10 a.m. in room 154 Capitol Annex.

Administrative Regulation Review Subcommittee Minutes

August 8, 2006

The Administrative Regulation Review Subcommittee met on Tuesday, August 8, 2006, at 10:00 AM, in Room 154 of the Capitol Annex. Senator Richard

“Dick” Roeding, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Richard “Dick” Roeding, Co-Chair; Representative Tanya G Pullin, Co-Chair; Senators Alice Forgry Kerr, Joey Pendleton, and Gary Tapp; Representatives James E Bruce, Jimmie Lee, and Jon David Reinhardt.

Guests: Diana Barber, Tim Phelps, Kentucky Higher Education Assistance Authority; Belinda Casey, Brenda Sweatt, Treasury; Norman Brown, Lee Harris, Shelly Saffron, Kentucky Real Estate Commission; Janice Campbell, Jayne Carpenter, Junius Carpenter, Karen B. Greenwell, Noel E. Record, Virginia Record, Board of Barbering; Neil J. Alioto, Diane Fleming, Claude Wagner, Board of Licensure for Private Investigators; Rob Daniel, Bruce Scott, Chris Short, Division of Waste Management; Amy Barker, Department of Corrections; Lieutenant Adam Whitlock, Roger Wright, Kentucky State Police; Kevin Noland, Board of Education; Dr. Robert Tarvin, School Facilities Construction Commission; Carla H. Montgomery, Office of Workers’ Claims; David Reichert, Ray Sandbek, Ralph J. Wirth, Board of Home Inspectors; Elizabeth Caywood, Wendy Crumpton, David Gayle, Larry Gillis, Linda Harney, Johann Herklotz, Angela Kirkland, Jay Klein, Stuart Owen, Bobbie Walters, Cabinet for Health and Family Services; Bart Baldwin, Children’s Alliance; Maureen Fitzgerald, Heidi Schissler, Protection and Advocacy; and Wayne Campbell.

LRC Staff: Dave Nicholas, Emily Caudill, Donna Little, Karen Howard, Mark Matics, Laura Milam, Ellen Steinberg, Emily Harkenrider, and Roslyn Hendrickson.

Administrative Regulations Reviewed by the Subcommittee:

Kentucky Higher Education Assistance Authority: Division of Student and Administrative Services: Kentucky Loan Program

11 KAR 3:100. Administrative wage garnishment. Diana Barber, assistant general counsel, and Tim Phelps, student aid branch manager, represented the authority.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO, STATUTORY AUTHORITY, and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Section 4 to correct statutory citations; and (2) to amend Sections 3 and 6 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

11 KAR 4:080. Student aid applications. A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to correct a statutory citation; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (3) to amend Sections 1 and 2 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and

with agreement of the agency, the amendments were approved.

11 KAR 5:130. Student application. A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 and 2 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

11 KAR 5:140. KTG award determination procedure. A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct the punctuation; and (2) to amend Section 1 to cross-reference another administrative regulation. Without objection, and with agreement of the agency, the amendments were approved.

11 KAR 5:145. CAP grant award determination procedure. A motion was made and seconded to approve the following amendment: to amend Section 1 to cross-reference another administrative regulation. Without objection, and with agreement of the agency, the amendment was approved.

11 KAR 6:010. KHEAA Work-Study Program. A motion was made and seconded to approve the following amendments: to amend Sections 1 and 6 to correct punctuation. Without objection, and with agreement of the agency, the amendments were approved.

11 KAR 8:030. Teacher scholarships. A motion was made and seconded to approve the following amendments: (1) to amend Sections 1 and 5 to delete language that applied for scholarships issued before 1996; and (2) to amend Sections 2, 5, and 10 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

11 KAR 16:010. Early Childhood Development Scholarship Program applicant selection process. A motion was made and seconded to approve the following amendments: to amend Sections 2 and 3 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

11 KAR 18:010. Robert C. Byrd Honors Scholarship Program. A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to correct a statutory citation; and (2) to amend Sections 3 and 8 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department of The Treasury: State Treasury

20 KAR 1:080 & E. Reports to be filed by holders of unclaimed property. Brenda Sweatt, director, and Belinda Casey, branch manager, represented the department.

In response to a question by Senator Roeding, Ms. Sweatt stated that the property that was left in the unclaimed property fund remained in the fund.

A motion was made and seconded

to approve the following amendments: (1) to amend the RELATES TO paragraph to

correct statutory citations; and (2) to amend Sections 1 to 4 to: (a) remove superfluous language; and (b) comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

General Government Cabinet: Real Estate Commission: Commission

201 KAR 11:105. Advertising listed property; advertising public information about specific property; when consent and authorization of owner or principal broker is required. Norman Brown, executive director, Shelly Saffron, director of administration, and Lee Harris, general counsel, represented the commission.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct statutory citations; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 3 and 6 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 11:220. Errors and omissions insurance requirements. A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to differentiate between insurance company certification and private carrier certification of coverage requirements; (2) to delete Section 6, which set forth requirements for agreements between the insurance company and the licensee regarding insurance policy terms that conflicted with KRS 324.395; and (3) to amend Sections 1, 3, and 5 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 11:250. Listing and purchase contracts and other agreements entered into by licensees; provisions required.

In response to a question by Senator Roeding, Ms. Harris stated that the commission informed the brokers and brokerage firms of the proposed changes and did not receive any objections.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO paragraph and Sections 1 and 4 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 11:350. Seller’s disclosure of property conditions form. A motion was made and seconded to approve the following amendment: to amend Section 10 to add a new question to the Seller Disclosure of Property Condition Form set forth in this administrative regulation, inquiring whether the property is in a historic district. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 11:400. Agency disclosure requirements. A motion was made and

seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to delete superfluous language; (2) to amend Section 3(3) to delete language stating that a broker's revision to the Model Policies shall not constitute a substantive change; and (3) to amend Section 5 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 11:430. Procedure for criminal records background check; disciplinary action against licensees for acts committed before or during the application process. A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct a statutory citation; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation; (3) to amend Sections 1 and 2 to delete the requirement that an applicant for real estate licensure provide a credit report; and (4) to amend Sections 1 and 2 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Board of Barbering: Board

201 KAR 14:180. License fees, examination fees, renewal fees, and expiration fees. Karen Greenwell, administrator, and Noel Record, board chairperson, represented the board.

In response to a question by Representative Bruce, Ms. Greenwell stated that this administrative regulation established fees for independent contractors, which was a new area of licensure, and did not increase any existing fees.

Kentucky Board of Licensure For Private Investigators: Board

201 KAR 41:020. Application for licensure. Niel Alioto, board chairperson, Claude Wagner, director, and Diane Fleming, assistant attorney general, represented the board.

In response to questions by Senator Tapp, Mr. Alioto stated that Kentucky's standards for private investigators were higher than some other states since those states did not have licensure requirements. He did not know the number of states that did not require licensure. Kentucky has a reciprocal agreement with Tennessee and is working to establish reciprocal agreements with Ohio, Illinois, and West Virginia.

A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to correct the size of the required photograph; (2) to amend Section 3 to change the edition date of the forms; and (3) to amend the forms to remove a reference to KRS 523.020. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 41:060 & E. Renewal and reinstatement procedures. A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to correct statutory citations; and (2) to

amend Sections 4 to 9 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 41:070. Continuing professional education requirements. A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to correct statutory citations; and (2) to amend Sections 4 and 11 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 41:080. Complaint procedure. A motion was made and seconded to approve the following amendments: to amend Section 4 to remove language that repeated the statute and to delete Franklin Circuit Court and insert circuit court as required by statute. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 41:090. Code of ethics. A motion was made and seconded to approve the following amendments: to amend Sections 1 and 2 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Environmental and Public Protection Cabinet: Department for Environmental Protection: Division of Waste Management: Underground Storage Tanks

401 KAR 42:005. Definitions related to 401 KAR Chapter 42. Bruce Scott, director, Rob Daniel, branch manager, and Chris Short, attorney, represented the department.

In response to questions by Senator Tapp, Mr. Daniel stated that these administrative regulations did not establish provisions more stringent than the federal requirements but merely clarified the requirements. Mr. Scott stated that the department began the process of streamlining the administrative regulations relating to underground storage tanks (USTs) in 2004. The department has merged twenty-six administrative regulations into nineteen and streamlined the process, making it less combative and more cost effective.

In response to questions by Representative Bruce, Mr. Daniel stated that there were 12,820 active USTs at 4,257 facilities across Kentucky. Each tank would eventually need to be removed and have possible cleanup at some point in the future.

In response to questions by Representative Reinhardt, Mr. Daniel stated that the underground storage tank program regulated petroleum tanks and tanks that contained antifreeze or other hazardous substances, but the program did not regulate fuel oil tanks for residential use. Under federal requirements, a tank was required to be closed if there was a leak, the tank system was not upgraded to current standards, or the system was taken out of service for more than twelve months. The department has worked to educate owners and operators about the existence of the small owner tank removal account

fund, which covered tank removal costs for owners or operators with total income less than \$50,000 a year. Since 1990, existing tanks were statutorily-required to be registered by July 15, 2006, to be eligible for reimbursement from the fund for their removal. Mr. Scott stated that it was not possible to know the number of tanks not registered under the program. Currently, there were \$240 million worth of projects registered and eligible for reimbursement from the fund.

In response to questions by Representative Lee, Mr. Daniel stated that the department allowed abandoned tanks to be registered if the tanks were located at the site of an active investigation or facility cleanup since those abandoned tanks were included in the area of the release from a registered tank. Before a tank could be removed, the statute required notification be given to a department inspector. The majority of tank removals moved forward without having an inspector present, due to budgetary and personnel constraints.

A motion was made and seconded to approve the following amendments: to amend Section 1 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:011. Scope of Underground Storage Tank Program. A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to clarify the application of federal regulations; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 2 to 4 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:020. UST Systems: design, construction, installation and registration. A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to clarify the application of federal regulations; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1, 2, 3, 4, 6, and 7 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:030. General operating requirements. A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to clarify the application of federal regulations; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 2 to 4 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:040. UST system release detection. A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to clarify the application of federal regulations; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sec-

tion 3 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:050. UST system release reporting, investigation, and confirmation. A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to clarify the application of federal regulations; and (2) to amend the RELATES TO and NECESSITY, FUNCTION, AND CONFORMITY paragraphs to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:060. UST system release response and corrective action for UST systems containing petroleum or hazardous substances. A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to clarify the application of federal regulations; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 3 and 4 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:070. Out-of-service UST systems, temporary closure and permanent closure of UST systems, and change-in-service of UST systems. A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to clarify the application of federal regulations; (2) to amend Section 3 to specify standards for an extension of the twelve month temporary closure period; and (3) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1, 2, 6, 8, and 9 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:072. Repealer of 401 KAR 42:071, 401 KAR 42:260, 401 KAR 42:270, 401 KAR 42:280, and 401 KAR 42:310.

401 KAR 42:080. Classification of UST systems containing petroleum and listing of associated cleanup levels. A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 to 3 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:090. Financial responsibility. A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to clarify the application of federal regulations; (2) to amend the STATUTORY AUTHORITY paragraph to include KRS 224.60-120; and (3) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 and 2 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:200. Underground storage tank system owner registration fees. A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct statutory citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation; and (3) to amend Sections 2 through 4 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:250. Petroleum Storage Tank Environmental Assurance Fund Reimbursement Procedures. A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct statutory citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation; (3) to amend Section 2(1) to differentiate between current and previous eligibility certificates; (4) to amend Section 2(5) to clarify that the cabinet shall identify in writing deficiencies in the Application for Assistance; (5) to amend Section 8 to delete deficient claim requirements that conflicted with KRS 224.60-140; (6) to amend Section 15 to clarify corrective action activities; (7) to amend the Application for Assistance, incorporated by reference, to decrease the Required Financial Information exception from a \$250,000 five-year average total income to \$100,000; and (8) to amend Sections 2, 3, 4, 7, 8, 12 through 16, 21, and 26 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:290. Ranking system. A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to delete a C.F.R. citation; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation; (3) to amend Sections 2(2) and 3(2) to: (a) correctly set forth financial ability requirements for categorizing within ranks for the Financial Responsibility Account; and (b) delete indefinite language requiring submission of "additional information" relating to financial ability; and (4) to amend Sections 2 and 3 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:300. Third-party claims. A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation; (2) to amend Section 1(2) to clarify the eligibility requirements for receiving reimbursement or payment for a third-party claim; and (3) to

amend Section 2 to clarify that a third-party claim shall be paid on the basis of a written agreement between a third party and the owner or operator, as approved by the cabinet. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:314. Contractor certification. A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct statutory citations; (2) to amend the TITLE and the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clarify that this administrative regulation applies to individual contractor certification; (3) to amend Section 6(6) to clarify that examination results shall be given out immediately upon completion of the exam; (4) to amend Section 7 to clarify that a contractor shall be given written notification if significant statutory, regulatory, or industry changes have occurred warranting a new examination upon certification renewal; (5) to amend Section 8 to clarify that certification suspension or revocation will be effective upon receipt of a notification letter; and (6) to amend Sections 2 through 10 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:316. Certification of contracting companies. A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct statutory citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation; (3) to amend Section 2 to clarify that this administrative regulation applies to company or partnership certification; (4) to amend Section 2 to clarify that applicable work experience shall be provided to demonstrate technical, administrative and financial capabilities; and (5) to amend Sections 1 through 3 and 6 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:330. Small Owners Tank Removal Account. A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct statutory citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation; and (3) to amend Sections 2 and 4 through 7 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:335. Financial audits. A motion was made and seconded to approve the following amendments: to amend Sections 2 and 3 to make a technical correction. Without objection, and with agreement of the agency, the amendments were approved.

401 KAR 42:340. Laboratory certifi-

cation. A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct statutory citations; and (2) to amend Sections 2 and 5 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department for Environmental Protection: Division for Air Quality: Petroleum Storage Tank Environmental Assurance Fund

415 KAR 1:051. Repealer of 415 KAR 1:050.

Justice and Public Safety Cabinet: Department of Corrections: Office of the Secretary

501 KAR 6:999. Corrections secured policies and procedures. This administrative regulation was reviewed and amended, with agreement of the agency, by the Subcommittee in closed session pursuant to KRS 61.810(1)(k), KRS 61.815(2), and KRS 197.025(6).

Department of State Police: Driver Testing Branch: Driver Training

502 KAR 10:110 & E. Third-party CDL skills test examiner standards. Roger Wright, assistant general counsel, and Lt. Adam Whitlock, CDL coordinator, represented the department.

In response to questions by Senator Tapp, Lt. Whitlock stated that this administrative regulation addressed potential conflicts of interests that existed between CDL examiners and the commercial driver's license training schools that hired the examiners. The Kentucky State Police would oversee the examiners, train them, and pay for their services.

In response to a question by Senator Tapp, Mr. Wright stated that the department did not receive comments on this administrative regulation.

In response to questions by Representative Reinhardt, Lt. Whitlock stated that it was not difficult to receive a commercial driver's license. The changes were proposed to align Kentucky's program with issues noted in recent federal audits. Applicants for a CDL may choose to attend a private commercial driver's training school but attendance at a driver's training school was not required.

In response to a question by Representative Bruce, Lt. Whitlock stated that farmers were not required to have a commercial driver's license if they were transporting their products to a market within 150 miles.

A motion was made and seconded to approve the following amendment: to amend Section 1 to clarify the definition of "Third-party CDL skills text examiner." Without objection, and with agreement of the agency, the amendment was approved.

Education Cabinet: Kentucky Board of Education: Department of Education: Office of Instruction

704 KAR 3:305. Minimum requirements for high school graduation. Kevin Noland, general counsel, represented the board.

A motion was made and seconded to approve the following amendments: (1)

to amend the RELATES TO paragraph to correct a statutory citation; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 2 to 7 to comply with the drafting and format requirements of KRS Chapter 13A; (3) to amend Section 2 to: (a) specify that the substituted courses shall be based on grade-level content standards and may be modified to allow for a narrower breadth, depth or complexity of the general grade-level content standards; and (b) delete the requirement that a rationale and course description be filed with the department; and (4) to amend Section 7 to specify that students completing an alternative course of study shall receive a certificate of attainment to be awarded by the local board of education consistent with the graduation practices for all students. Without objection, and with agreement of the agency, the amendments were approved.

Finance and Administration cabinet: School Facilities Construction Commission: Procedures

750 KAR 1:010. Commission procedures. Robert Tarvin, executive director, and Lisa Collins represented the commission.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO paragraph and Section 7 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Environmental and Public Protection Cabinet: Department of Labor: Office of Workers' Claims: Office

803 KAR 25:010. Procedure for adjustments of claims. Carla Montgomery, general counsel, represented the office.

A motion was made and seconded to approve the following amendments: to amend Sections 1, 3, 5, 6, 7, 8, 11, 13, 20, 21, 24, and 27 to: (1) correct the names and form numbers of the material incorporated by reference; and (2) comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department for Public Protection: Office of Housing, Buildings and Construction: Kentucky Board of Home Inspectors

815 KAR 6:010 & E. Home inspector licensing requirements and maintenance of records. Ray Sandbek, chair, Ralph Wirth, vice chair, and David Reichert, general counsel, represented the board.

In response to questions by Representative Lee, Mr. Sandbek stated that the board determined the amount of the licensure fee based on a comparison to the fees charged in Indiana and Illinois and fees charged for other professional licenses. Ohio and West Virginia did not currently license home inspectors.

Representative Lee stated that the board should set the renewal fee based on the administrative and other actual costs for licensure in Kentucky, rather than the costs of other states. He recommended that the board examine the fee amounts and its budgetary needs over the next year, and if the board determined that \$250 was

excessive for Kentucky's program, the board should reduce the fee.

In response to questions by Senator

Tapp, Mr. Wirth stated that pre-licensing students were required to have eight hours of inspection in a laboratory, during which time the students would review equipment commonly used in home inspections.

In response to questions by Representative Reinhardt, Mr. Wirth stated that the national tests that examined the competence of potential home inspectors included questions about general indoor air quality and other environmental issues. Thus, the board was requiring that pre-licensing training courses include one hour of instruction on environmental hazards, mitigation, water quality, and indoor air quality. The basic instruction received in these areas would give potential home inspectors familiarity with the terminology likely to appear on the national examination, including terms such as radon, lead, molds, and mildews. Home inspectors were not required to conduct indoor air quality or mold studies during home inspections.

In response to questions by Representative Bruce, Mr. Wirth stated that termite inspections were required before a home could be sold, but those inspections were not within that agency's jurisdiction.

A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to correct statutory citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 2, 4, 5, 7, 8, , and 9 to comply with the drafting and format requirements of KRS Chapter 13A; (3) to amend Section 2 to specify that a pre-licensing training course shall include: (a) eleven, rather than twelve, hours relating to standards of practice, licensing law and regulations, contracts, report writing, and communications; (b) sixteen hours of actual inspection, with eight hours in a laboratory and eight hours in field training; and (c) one hour of environmental hazards, mitigation, water quality and indoor air quality; and (4) to amend Section 6 to: (a) require submission of a copy of a completed inspection report that has been compiled within the previous twelve months immediately preceding renewal; and (b) delete the requirement that renewal applicants undergo a statewide background check before license renewal. Without objection, and with agreement of the agency, the amendments were approved.

815 KAR 6:020. Advertising by home inspectors. A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to correct a statutory citation; and (2) to amend Sections 1 to 4 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

815 KAR 6:030. Home inspector standards of conduct. A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY para-

graph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (2) to amend Sections 1 to 3 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

815 KAR 6:040 & E. Home inspector prelicensing and continuing education providers. A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph and Section 1 to correct statutory citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (3) to amend Sections 1 to 10 to comply with the drafting and format requirements of KRS Chapter 13A; and (4) to amend Section 5(2) to specify that a continuing education provider shall not pay in excess of \$250, rather than \$500, per year for course approval fees (which are \$25 per class per date offered), to comply with KRS 198B.706(6). Without objection, and with agreement of the agency, the amendments were approved.

Cabinet for Health and Family Services: Department for Medicaid Services: Medicaid Services

907 KAR 1:145 & E. Supports for community living services for an individual with mental retardation or a developmental disability. Angela Kirkland, director, Stuart Owen, regulations coordinator, and Johann Herklotz, deputy general counsel, represented the department. Heidi Schissler, attorney, and Maureen Fitzgerald, director, appeared on behalf of Kentucky Protection and Advocacy in opposition to this administrative regulation and 907 KAR 1:155 & E.

In response to questions by Representative Bruce, Ms. Kirkland stated that this administrative regulation increased the number of available residential beds to facilitate residents coming out of ICF/MR institutions, including Oakwood. The department wanted the beds available for transitioning residents who wanted to leave their current placements.

Ms. Schissler stated that while Kentucky Protection and Advocacy believed that many of the proposed amendments to these administrative regulations were positive and appropriate, it still had concerns about the definition of disabilities and the placement sizes. Currently if a person had retardation, a developmental disability or related condition and needed long-term care, the person would either be in an ICF/MR institution or in a community placement paid for by Medicaid through the SCL (supports for community living) program. Persons with either an intellectual or adaptive behavior deficit were eligible for placement in either the institution or community living setting. However, the change in Section 1(7) of this administrative regulation made it a requirement that the person have both intellectual deficits and adaptive behavior deficits to receive a community placement. The change in this definition would prevent some in-

dividuals from receiving a more appropriate community placement by requiring

that they be placed in an institution. In response to questions by Representative Lee, Ms. Kirkland stated that the department did not change an existing definition but simply added a definition of "developmental disability" to this administrative regulation. The federal Centers for Medicare and Medicaid Services (CMS) recognized three population types, including the mental retardation/developmental disability population, the aged and physically disabled population, and the traumatic brain injury population. CMS would not allow the department to have cross-populations and the waivers would be jeopardized if intellectual deficits were not required. For instance, a person with epilepsy or cerebral palsy without intellectual deficits would be covered as part of the aged and physically disabled population and receive services based on the home and community based waivers. This administrative regulation did not change the SCL criteria regarding which patients qualified for the program.

Ms. Fitzgerald stated that Kentucky Protection and Advocacy applauded the department's efforts for transitioning people out of Oakwood but was concerned because this administrative regulation would allow up to eight individuals receiving SCL services to live together in a group home. Their research showed that as the size of group homes increased, the outcomes (quality of care and services) decreased. The group home size for persons receiving SCL funding should remain at three persons.

In response to questions by Senator Pendleton, Ms. Kirkland stated that the department was not expanding the number of residents at group homes. The group homes were currently limited to eight residents, with no more than three receiving SCL funding. The change would allow up to eight residents to be receiving SCL funding. Under current requirements, if a person in a group home became eligible for SCL funding and there were already three SCL recipients in that group home, the person would be required to transfer to a different group home. The proposed change would enable that person to stay in the group home. The department worked hard to develop transition plans for each person, taking into consideration the person's health, safety, and welfare, to ensure that the plan was the most appropriate for that person. The department was working to increase the number of providers and thus the number of available placements.

In response to questions by Representative Lee, Ms. Kirkland stated that the department would closely monitor the impact of increasing the number of SCL recipients in group homes. She believed that the staffing arrangements at group homes would provide more supervision of residents than the arrangement at Oakwood provided.

In response to questions by Representative Bruce, Ms. Kirkland stated that it was difficult to retain qualified employ-

ees at Oakwood due to its location, the available workforce, and number of retirements.

In response to questions by Senator Kerr, Ms. Kirkland stated that the department had communications with Kentucky Protection and Advocacy about this administrative regulation. She did not wish to defer consideration of this administrative regulation because the department needed the additional SCL slots for transitioning persons currently in other placements. If the administrative regulation was deferred, there would be a period of time, about a week, after the emergency administrative regulation expired before the new ordinary administrative regulation would become effective. That would effect the transitions, the number of SCL beds available, the incentives for providers, criminal background and safety checks, and other training requirements.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 1 and 7 to correct statutory citations; and (2) to amend Sections 1 to 7 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

907 KAR 1:155 & E. Payments for supports for community living services for an individual with mental retardation or a developmental disability. A motion was made and seconded to approve the following amendments: to amend Section 4 to comply with the format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department for Mental Health and Mental Retardation Services: Division of Administration and Financial Management: Institutional Care

908 KAR 3:190 & E. Drug testing policies at a state-operated facility for persons with mental illness or mental retardation. Linda Harney, deputy commissioner, represented the department.

In response to questions by Senator Pendleton, Ms. Harney stated that this administrative regulation established the drug testing policies for state-operated facilities for persons with mental illness or mental retardation.

A motion was made and seconded to approve the following amendments: (1) to amend the title to more accurately reflect the content of this administrative regulation; (2) to amend Section 1 to include definitions for "Commissioner" and "Officer" and to more clearly define "return to duty"; (3) to amend Section 3 to specify reporting dates for the employee roster; and (4) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs and Sections 1, 2, 3, 4, 5, 7, 9, 10, and 12 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department for Community Based Services: Division of Policy Development: Child Support

921 KAR 1:410. Child support collection and enforcement. Elizabeth

Caywood represented the department.
Food Stamp Program

921 KAR 3:035. Certification process. A motion was made and seconded to approve the following amendments: to amend Sections 1 and 5 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department for Community Based Services: Division of Policy Development: Day Care

922 KAR 2:160. Child Care Assistance Program. A motion was made and seconded to approve the following amendments: (1) to amend Sections 2, 3, and 6 to clarify requirements and to insert waiver standards; (2) to amend Sections 2, 3, 4, 6, 7, and 10 and the material incorporated by reference to replace the current required forms with updated versions; and (3) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1, 2, 4, and 10 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

The following administrative regulations were deferred to the next meeting of the Subcommittee:

General Government Cabinet: Real Estate Commission: Commission

201 KAR 11:011 & E. Definitions for 201 KAR Chapter 11.

201 KAR 11:121 & E. Improper conduct.

Board of Chiropractic Examiners: Board

201 KAR 21:015. Code of ethical conduct.

201 KAR 21:025. Board; officers, duties.

201 KAR 21:051. Board hearings; complaints.

201 KAR 21:055. Colleges and universities; accreditation, approval.

201 KAR 21:085. Preceptorship program.

201 KAR 21:100. Minimum standards for recordkeeping/itemized statements.

Environmental and Public Protection Cabinet: Department for Public Protection: Kentucky Horse Racing Authority: Thoroughbred Racing

810 KAR 1:080. International wagering hubs.

The subcommittee adjourned at 12:10 p.m. until September 12, 2006 at 10 a.m. in room 154 Capitol Annex.

Government Contract Review Committee

Committee Minutes

July 13, 2006

The Government Contract Review Committee met on Thursday, July 13, 2006, at 1:00 PM, in Room 125 of the Capitol Annex. Representative Brent Yonts, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Katie Stine, Co-Chair; Representative Brent Yonts, Co-Chair; Senator Elizabeth Tori; Representa-

tives Jesse Crenshaw, Brad Montell, and Kathy W Stein.

Guests: Secretary Birdwhistle, Mike Burnside, Jonathan Copley, Wes Butler, Steven Jones, Tim Singleton, Rick Prewitt, Gary Freeland, Roger Ervin, Monica McFarland, David Holcomb, Mark Honeycutt, Bernard Decker, Tim Pollard, David Gray, Wayne Bates.

LRC Staff: Kim Eisner, Jay Hartz, and Jennifer Wilson.

A motion was made by Representative Stein to approve the Minutes of the June 15, 2006, meeting of the committee. Senator Tori seconded the motion, which passed unanimously.

A motion was made by Representative Stein to consider as reviewed, the Personal Service Contract List, with exception of those items selected for further review by members of the committee. Representative Montell seconded the motion, which passed with Senator Stine electing to abstain on #2, Premier Drug Testing, C-06158509.

A motion was made by Representative Stein to consider as reviewed, the Personal Service Contract Amendment List, with exception of those items selected for further review by members of the committee. Representative Montell seconded the motion, which passed without objection.

A motion was made by Representative Stein to consider as reviewed, the Memoranda of Agreement List, with exception of those items selected for further review by members of the committee. Representative Montell seconded the motion, which passed without objection.

A motion was made by Representative Stein to consider as reviewed, the Memoranda of Agreement Amendment List, with exception of those items selected for further review by members of the committee. Representative Montell seconded the motion, which passed without objection.

THE FOLLOWING PERSONAL SERVICE CONTRACTS

WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Just Solutions, C-06151849; Premier Drug Testing, C-06158509; Boehl Stopher Graves and Deindoerfer, C-06216293; Greenebaum Doll and McDonald, C-06216295; Wyatt Tarrant and Combs, C-06216296.

AGRICULTURE, DEPARTMENT OF: Klein Flying Service, M-06240508.

AUDITOR OF PUBLIC ACCOUNTS, OFFICE OF THE:

Mountjoy & Bressler, LLP, M-06242069; Vonlehman and Company, M-06242070; Ross and Company, PLLC, M-06242074; Mountjoy & Bressler, M-06242076; Morgan Franklin, LLC, M-06242077; Crowe Chizek and Company, LLP, M-06242078; Harding Shymanski and Company, M-06242079; Peercy and Gray, M-06246828; Ross and Company, M-06246829; Simon Underwood and Associates, M-06246830; Tichenor and Associates, M-06246831.

EASTERN KENTUCKY UNIVERSITY:

Compass Knowledge Group Incorporated, 07-002; Qing Cui, 07-005; Winning Habits.com, 07-010; Artemetrx, 07-011; Neace Lukens, 07-012.

ECONOMIC DEVELOPMENT, CABINET FOR:

Ft. Washington Investment Advisors Incorporated, M-06184932; Larkin International Trade, M-06198358; Kentucky Science and Technology Corporation, M-06200408.

EDUCATION PROFESSIONAL STANDARDS BOARD:

Pace, Bobby S., M-06167305; Ballenger, Patricia R., M-06167354; The Learning House, M-06168395; Bowker, Linda, M-06168811; Stanley, Sandra Tucker, M-06170231; Martin, Carol Jean, M-06170232.

EDUCATION, DEPARTMENT OF: Hatterick, Ruth, M-06203641; Heuser Hearing Institute, M-06223227.

ENGINEERS & LAND SURVEYORS, KENTUCKY BOARD OF REGISTRATION FOR PROFESSIONAL:

Thompson III, Robert S., M-06203403.

FAIR BOARD:

Morgan and Pottinger, M-06241939.

FINANCE AND ADMINISTRATION CABINET:

Gambrel and Wilder Law Offices, M-06243597; Cantor Fitzgerald Brokerage, M-06246151.

GOVERNOR, OFFICE OF THE:

Greenebaum Doll and McDonald, M-06198260.

GOVERNORS OFFICE FOR TECHNOLOGY:

D W Bratcher and Associates, LLC, M-06247812.

HEALTH AND FAMILY SERVICES, CABINET FOR:

Pharmacy Systems Incorporated, M-06013288; Jennie Stuart Medical Center, M-06015957; Crown Services, M-06025754; Theracare Alliance, M-06039790; Crown Services Incorporated, M-06057487; Guardian Healthcare Providers, M-06058474; Mudd, Susan, M-06060126; Crown Services Incorporated, M-06060129; Kentucky Alliance Boys and Girls Club, M-06098277; TJ Samson Community Hospital Rehabilitation Services, M-06144714; Crown Services Incorporated, M-06167635; Dayspring Incorporated, M-06174628; Dietary Consultants Incorporated, M-06180485; Crown Services Incorporated, M-06181293; Rehabilitation Associates, M-06183663; Sweeney MD, Margie, M-06212324; Kentucky Child Now, M-06212421; Family and Children First Incorporated, M-06212505; Homeless and Housing Coalition of Kentucky, M-06212559; St. Claire Medical Center, M-06213240; Trover Clinic Foundation, M-06213242; National Toxicology Specialist Incorporated, M-06215097; Guardian Healthcare Providers, M-06224499; Hall, Patricia, M-06228966; Theracare Alliance, M-06228985; Guardian Healthcare Providers, M-06238830; Guardian Healthcare Providers, M-06241506; Jackson, Jennifer, M-06241706; Gobel DDS, Stephen, M-06019488; Spalding University Auerbach

School of Occupational Therapy, M-06057669; Mississippi Foundation for Medical Care Incorporated d/b/a Information & Quality Health, M-06058399; Lake Cumberland CSO Incorporated, M-06059912; Policy Studies Incorporated, M-06060081; Goldberg and Simpson, M-06061372; Experience Works Incorporated, M-06063391; Sturgill Turner Barker and Moloney, PLLC, M-06065669; Sturgill Turner Barker and Moloney, PLLC, M-06135745; Jefferson County Medical Society, M-06139642; Crown Services Incorporated, M-06158673; Stout Farmer & King, PLLC, M-06165388; PD Miscellaneous Payments, M-06215326; Columbus Medical Services, M-06218560; Covington and Burling, M-06225695; Kentucky Hospital Associates, M-06240309; Community Action of Southern Kentucky Incorporated, M-06242071; Guardian Healthcare Providers, M-06244105; AMS Temporaries Incorporated, M-06244122; Kforce Incorporated, M-06244135.

JUSTICE CABINET:

Saint Luke Hospital, M-06157715; Sturgill Turner Barker and Moloney, PLLC, M-06215620; Access to Justice Foundation, M-06231303.

JUVENILE JUSTICE, DEPARTMENT OF:

Dr. James L. Hurm, M-06149843; TKA Enterprises, LLC, M-06149978; Kuster, Sylvia L., M-06152371; PCA Corrections, LLC, M-06154135; Intelistaf Healthcare, M-06155430; Dr. Dale Jones, M-06159858; Weisenberger Hargrove and Foster, M-06190027; Hurt Crosbie and May, M-06201182; Whalen, Paul L., M-06229095; Mooney and Associates, M-06229097; Dempsey, Frank L., M-06232250; Sheadel, Ann M., M-06232622; Injeian, Gregory, M-06232917.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

The Federalist Group, 294; Community College Research Center, 295; Commonwealth Auction Service, 297; Dry Stone Conservancy, 298; Family Life Center, 299; Anthony Weaver, M.D., 300; MER Advertising Incorporated d/b/a Meridian Communications, 301; The Clements Group, 302; Mercer Human Resource Consulting, 303; Dr. Jeff Hockaday, 304; Dynamic Educational Systems Incorporated, 305; Creative Alliance, 306; Immediate Solutions, LLC, 311; Mary Beth Susman, 312; C.D.L. Training Services and Consulting, 313; Crestone Managed Services Incorporated, 314; Lansing Community College, 315; Alamo Community College District, 316; Cuyahoga Community College, 317; Pellissippi State Technical Community College, 318; Crowe Chizek and Company, 319; Appalachian Regional Healthcare Incorporated, 320; Read Right Systems Incorporated, 321; Safety Research Corporation of America, 322.

KENTUCKY EMPLOYERS MUTUAL INSURANCE:

Automatic Data Processing (ADP), 07-ADP-001; Multi-Claims Defense/Legal Counsel, 07-CLD-001; Conning Asset Management Company, 07-CON-001; Dean, Dorton & Ford, 07-DDF-001; Hay Group Incorporated, 07-HMC-001; Meridian Communications, 07-MER-001;

Tillinghast - Towers Perrin, 07-TIL-001; Underwriters Safety & Claims Incorporated, 07-USC-001.

KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION:

James Ackinson, 03-036; Diversified Collection Service Incorporated, 06-021; Priority Technologies Incorporated, 06-028; Overture Technologies Incorporated, 06-031; Tri R Consulting Group, LLC, 06-037; Overture Technologies, 06-039; Sallie Mae Incorporated, 06-041.

KENTUCKY HOUSING CORPORATION:

Strothman & Company, 20078; Cecil F. Dunn, KHC200713.

KENTUCKY LOTTERY CORPORATION:

Automatic Data Processing, 07-01148; Crowe, Chizek and Company, 07-03-091; First Data Government Solutions Incorporated, 07-05-002; Delehanty Consulting, LLC, 07-06059; Perficient Incorporated f/k/a Meritage Technology, 07011381.

KENTUCKY STATE UNIVERSITY:

Johnson, True & Guarnieri, LLP, 07-01; Crowe, Chizek and Company, LLC, 07-02; McBrayer, McGinnis, Leslie and Kirkland, PLLC, 07-03; Anthony Barnes, 07-04.

LEGISLATIVE RESEARCH COMMISSION:

Mark Overstreet, Stites & Harbison, PLC, 060708.

MOREHEAD STATE UNIVERSITY:

Sturgill, Turner, Barker & Moloney, PLLC, 07-004; Frost Brown Todd, LLC, 07-005; McCarthy & Speaks Strategic Solutions, LLC, 07-007; University Accounting Service Incorporated, 07-008.

MURRAY STATE UNIVERSITY:

Robert Clark Harris, MD, 002-07-2; Multi, 005073; Mercer Human Resource Consulting Incorporated, 006-07-2; BKD, LLP, 007-07-2; Luckett & Farley, 008-07-2; Lyle Associates Architects Incorporated, 009-07-2; Multi, 010-07-3.

NORTHERN KENTUCKY UNIVERSITY:

SKS Risk Consulting, 2006-444; Adams, Stepner, Woltermann & Dusing, PLLC, 2008-438; Deters, Benzinger & Lavelle, 2008-440; Dinsmore & Shohl, LLP, 2008-441; The Sanchez Law Firm, 2008-442; Ziegler & Schneider, 2008-443; Brownstone Design, 2008-445.

OCCUPATIONS & PROFESSIONS, DIVISION OF:

Niche Marketing Incorporated, M-06202389.

PARKS, DEPARTMENT OF:

Swisher, Kristen, M-06153859; New West, LLC, M-06161101; Sizemore, Judy, M-06213292.

TRANSPORTATION CABINET:

QK4, C-06071463; Rash, Darval E., C-06094856; Freeman, Thurston, C-06094898; Gresham Smith and Partners, C-06234136; Gresham Smith and Partners, C-06236094; Gresham Smith and Partners, C-06236119; Third Rock Consultants, LLC, C-06239495; Ballenger, Patricia R., M-06019790; Stogsdill, Doyle, M-06187617; Ray, Ronnie, M-06187625; Joslyn, Sandy, M-06187638; Kistner, Gary, M-06187646; Rogers, James C., M-06187655; McKinney,

Dexter, M-06187667; Creekmore, Carl, M-06187672; Mark A. Reid, M-06187686; Martins, Mary Ellen, M-06187691; Ronald E. Dolen, M-06187697; Faulconer, Mike, M-06187700; Risk Management Services Corporation, M-06224771; J M Crawford and Associates, M-06233339; QK4, M-06236006; Palmer Engineering Company, M-06239389; Qore Property Sciences, M-06239415; H C Nutting Company, M-06239451; Florence and Hutcheson, M-06239477; T H E Engineers Incorporated, M-06239507; HW Lochner Consulting Incorporated, M-06240056; GRW Engineers Incorporated, M-06240089; Southern and Eastern Kentucky Tourism Development Association, 0600000404; Forward Edge Associates, M-06230156.

TREASURER, OFFICE OF THE KENTUCKY STATE:

ACS Unclaimed Property, M-06247205; Audit Services, M-06247352; Abandoned Property Experts, M-06247516; Reed Weitkamp Schell and Vice, M-06247556.

UNIVERSITY OF KENTUCKY:

Multi-Statewide, A071000; Multi-Statewide, A071010; Multi-Statewide, A071020; Multi-Statewide, A071030; Multi-Statewide, A071040; Multi-Statewide, A071050; Underwriter's Safety & Claims, K07-102; Cornett Integrated Strategic Marketing, K07-104; Deloitte & Touch, LLP, K07-105; Labyrinth Solutions Incorporated, K07-106; Sturgill, Turner, Barker & Maloney, K07-107; Stidham & Associates, K07-108; Walther, Roark, Gay & Todd, PLC, K07-109; Baker, Kriz, Jenkins & Prewitt, K07-110; Denney, Morgan, Rather & Gilbert, K07-111; Phoenix Business Consulting, K07-112; Envision Strategies, K07-113; Deloitte & Touche, LLP, K07-114; Ennis, Knupp & Associates, K07-115; Hewitt Associates, LLC, K07-116; New West, LLC, K07-117; St. Claire Medical Center, K07-118; Rockcastle Hospital & Respiratory Care Center Incorporated, K07-119; Mercer Resource Consulting, K07-120; Press Ganey Associates, K07-121; Kaufman Hall & Associates, K07-122; Net Media One, LLC, K07-123; Hensley, Elam and Associates, K07-124; Software Information Systems, K07-125; Analysts International, K07-126; Technosoft, K07-127; Global Source, K07-128; Professional Data Resources, K07-129.

UNIVERSITY OF LOUISVILLE:

Center for Accessible Living, 07-009; JRA Architects, 07-010; Rangaswamy & Associates Incorporated, 07-011; Watson, Wyatt, 07-012.

VETERANS AFFAIRS, DEPARTMENT OF:

Trover Clinic Foundation, M-06095917; ARH Regional Medical Center, M-06139516; ARH Regional Medical Center, M-06143610; ARH Regional Med Center, M-06188395.

WESTERN KENTUCKY UNIVERSITY:

Multi-Electrical Engineering, 150607; Joe B. Campbell, 160607; Kerrick, Stivers & Coyle, 170607; Marily Burns Education Associates, 180607; Education Development Center, 190607; Toni Prickett, 200607; Carol Simoneau, 210607; Leadership Strategies, 240607; Multi, 250608;

Kenneth Lee, 260607; Hastings & Chivetta Incorporated, 270607.

WORKERS COMPENSATION FUNDING COMMISSION:

Invesco National Asset Management Ageon Center, M-06228131.

THE FOLLOWING PERSONAL SERVICE CONTRACT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

AUDITOR OF PUBLIC ACCOUNTS, OFFICE OF THE:

Simon Underwood and Associates, M-05196419-XXX; Kem Duguid and Associates, M-05196420-XXX.

KENTUCKY EMPLOYERS MUTUAL INSURANCE:

Conning Asset Management Company, 06-CON-002.

MOREHEAD STATE UNIVERSITY:

Heery International, 06-016.

PERSONNEL BOARD:

Geoffrey Greenawalt, M-04191739-XXX; Ryan, John C., M-04192115-XXX.

TRANSPORTATION CABINET:

Woolpert, LLP, C-00301392-XXX; Strand Associates Incorporated, C-03460225-XXX; Freeman, Thurston, C-04083584-XXX; Rash, Darval E., C-04084466-XXX; Raleigh, Stephen G., C-04505061-XXX; Cox, William R., C-04505086-XXX; Rash, Darval E., C-04505630-XXX; Freeman, Thurston, C-04505633-XXX; Freeman, Thurston, C-04505640-XXX; Cox, William R., C-04505644-XXX; BTM Engineering Incorporated, C-04516156-XXX; McDonogh, Paul E. d/b/a McDonogh and Associates, C-04538294-XXX; Freeman, Thurston, C-04538421-XXX; Baumgardner and Associates, C-04539269-XXX; Freeman, Thurston, C-04539271-XXX; Berkley, William L., C-04539484-XXX; Freeman, Thurston, C-04539537-XXX; American Consulting Engineers, PLC, C-04557271-XXX; Beck, Edward L., C-04571073-XXX; Clay, Mary McClinton, C-04571116-XXX; Tamplin Jr., Philip J., C-04571904-XXX; Intequal-Duncan Appraisal d/b/a Duncan Appraisal, C-04572794-XXX; Cox, William R., C-04572811-XXX; Galloway Jr., Claude W., C-04572862-XXX; Raleigh, Stephen G., C-04630612-XXX; Raleigh, Stephen G., C-04634078-XXX; Cox, William R., C-04634151-XXX; Moreland Altobelli Associates, C-05029559-XXX; Freeman, Thurston, C-05060642-XXX; Cox, William R., C-05060845-XXX; Davidson Appraisal Service Incorporated, C-05060889-XXX; Matriks Management, C-05060925-XXX; American Engineers Incorporated, C-05125828-XXX; TBE Group Incorporated, C-05253319-XXX; APPCO Appraisal Service Incorporated, C-05254875-XXX; Cox, William R., C-05254877-XXX; Moreland Altobelli Associates, C-05262912-XXX; Strand Associates Incorporated, C-05279448-XXX; QK4, C-05279989-XXX; BTM Associates Incorporated, C-05283835-XXX; Intequal Incorporated d/b/a Duncan Appraisal Company, C-05330781-XXX; Cox, William R., C-05330795-XXX; APPCO Appraisal Service Incorporated, C-05340916-XXX; Galloway Jr., Claude W., C-05340952-XXX; W and

W Appraisals, C-05414285-XXX; Cox, William R., C-05414378-XXX; Williams Appraisal Company, C-05484296-XXX; Cox, William R., C-05484303-XXX; Cox, William R., C-05498161-XXX; Freeman, Thurston, C-05501579-XXX; Woolpert, LLP, C-05503298-XXX; American Consulting Engineers, PLC, C-06016812-XXX; Woolpert, LLP, C-99070312-XXX; Presnell Associates Incorporated d/b/a QK4, C-99109299-7; T H E Engineers Incorporated, M-04497933-XXX; Palmer Engineering Company, M-04498198-XXX; Jordan Jones and Goulding Incorporated, M-04543220-1; Lochmueller, Bernardin, M-05015128-1.

UNIVERSITY OF KENTUCKY:

GBBN Architects, A061090; Cornett Integrated Marketing Incorporated, K06-101; New West, K06-104.

THE FOLLOWING MEMORANDA OF AGREEMENT

WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Louisville Jefferson County Metro Government, M-06216929.

AGRICULTURE, DEPARTMENT OF:

CHFS WIC, M-06238468.

EDUCATION, DEPARTMENT OF:

Kentucky Valley Education, M-06062825; Treasurer Hardin County Board of Education, M-06075641; Treasurer Pike County Board of Education, M-06075678; Fayette County Treasurer Board of Education, M-06079379; Fayette County Treasurer Board of Education, M-06091727; Fayette County Treasurer Board of Education, M-06091743; Fayette County Treasurer Board of Education, M-06091753; Fayette County Treasurer Board of Education, M-06091762; Treasurer Franklin County Board of Education, M-06092349; Treasurer Augusta Independent Board of Education, M-06121297; Treasurer Jackson County Board of Education, M-06122003; Letcher County Board of Education, M-06122232; VSA Arts of Kentucky, M-06133237; Treasurer Boyd County Board of Education, M-06173307; Treasurer Allen County Board of Education, M-06174202; Treasurer Bath County Board of Education, M-06174367; Treasurer Bowling Green Independent Board of Education, M-06174419; Covington Independent Public School, M-06174451; Treasurer Greenup County Board of Education, M-06174940; Treasurer Livingston County Board of Education, M-06175404; Treasurer McCreary County Board of Education, M-06175452; Treasurer Oldham County Board of Education, M-06175636; Treasurer Simpson County Board of Education, M-06175658; Treasurer Jefferson County Board of Education, M-06175762; Treasurer McCracken County Board of Education, M-06175985; Treasurer Pike County Board of Education, M-06176002; Treasurer Rowan County Board of Education, M-06176026; Treasurer Berea Independent Board of Education, M-06182396; Treasurer Calloway County Board of Education, M-06182399; Department of Juvenile Justice, M-06202489; University of Wisconsin Madison, M-06209029; Treasurer Middlesboro Independent Board of

Education, M-06211203; PD Miscellaneous Payments, M-06213362.

HEALTH AND FAMILY SERVICES, CABINET FOR:

Barren County Board of Education, M-06024686; Audubon Area Community Service Incorporated, M-06084359; Pennyriple Allied Community Services Incorporated, M-06084376; Northern Kentucky Educational Services, M-06178737.

HORSE PARK, KENTUCKY:

Blackburn Correctional Complex, M-06144276.

INFRASTRUCTURE AUTHORITY:

Northern Kentucky Area Development District, M-06245028; Barren River Area Development, M-06246876; Big Sandy Area Development District, M-06246982; Buffalo Trace Area Development District, M-06247182; Gateway Area Development District, M-06247224; Green River Area Development, M-06247346; Bluegrass Area Development District, M-06247388; Cumberland Valley Area Development Incorporated, M-06247515; FIVCO Area Development District, M-06247550; Kentuckiana Regional Planning, M-06247595; Kentucky River Area Development District, M-06247629; Lake Cumberland Area Development District, M-06247725; Lincoln Trail Area Development District, M-06247767; Pennyriple Area Development District, M-06247864; Purchase Area Development District, M-06247887.

JUSTICE CABINET:

Administrative Office of the Courts, M-06243805; Kentucky School Boards Association, M-06244195; Project Unite, M-06248110.

JUVENILE JUSTICE, DEPARTMENT OF:

Audubon Area Community Service Incorporated, M-06158000; Mercer County Board of Education, M-06160834; Knox County Attorney, M-06206012; Treasurer Barren County Board of Education, M-06206158; Treasurer Bell County Board of Education, M-06208338; Treasurer Boyle County Board of Education, M-06208728; Bullitt County Board of Education, M-06208764; Treasurer Calloway County Board of Education, M-06208809; Treasurer Campbell County Board of Education, M-06208898; Treasurer Clark County Board of Education, M-06208925; Treasurer Corbin Independent Board of Education, M-06213054; Treasurer Frankfort Independent Board of Education, M-06213086; Treasurer Hopkins County Board of Education, M-06213234; Treasurer Laurel County Board of Education, M-06213267; Lexington Fayette Urban County Government, M-06213289; Treasurer Madison County Board of Education, M-06213306; Treasurer Ohio County Board of Education, M-06213338; Treasurer Pike County Board of Education, M-06213423; Treasurer Pulaski County Board of Education, M-06213446; Treasurer Shelby County Board of Education, M-06213480; Treasurer Warren County Board of Education, M-06213517; Warren County Fiscal Court, M-06213860; Cabinet for Workforce Development, M-06216269; Eastern Kentucky University, M-06217687; McCracken County Fiscal

Court, M-06231703; Louisville Metro Human Service, M-06232245; Lexington Fayette Urban County Government, M-06232589; Hopkins County Fiscal Court, M-06232735; Hardin County Fiscal Court, M-06232824; Daviess County Treasurer's Office, M-06233155.

KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION:

Kentucky Higher Education Assistance Authority, 06-038.

LOCAL GOVERNMENT, DEPARTMENT FOR:

City of Shelbyville, M-06215515; Hopkins County Fiscal Court, M-06215605; Perry County Fiscal Court, M-06235976; Hart County Fiscal Court, M-06237506; Hickman County Fiscal Court, M-06237579; Boone County Fiscal Court, M-06237624; Letcher County Water and Sewer, M-06243888; Letcher County Water and Sewer, M-06243943; Letcher County Water and Sewer, M-06244009; Letcher County Water and Sewer, M-06244474; City of Richmond, M-06244712; Perry County Fiscal Court, M-06246889; City of Providence, M-06246928.

MURRAY STATE UNIVERSITY:

Graves County Board of Education, 902-07.

OCCUPATIONS & PROFESSIONS, DIVISION OF:

Multistate Tax Commission, M-06231267.

STATE POLICE, DEPARTMENT OF:

Southern Police Institute, M-06247208; Buffalo Trace Area Development District, M-06247219; Correctional Industries, M-06247228.

TOURISM DEVELOPMENT CABINET:

Cedar Incorporated, M-06200616.

UNIVERSITY OF KENTUCKY:

Gateway Community & Technical College, K07-MOA1; Southeast Kentucky Community & Technical College, K07-MOA2.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Auditor of Public Accounts, M-05355860-XXX.

EDUCATION, DEPARTMENT OF:

Treasurer Dawson Springs Independent Board of Education, M-05199509-XXX; Treasurer Robertson County Board of Education, M-05199804-XXX; Treasurer Carroll County Board of Education, M-05199869-XXX; Lexington Fayette Urban County Government, M-05199911-XXX; Treasurer Campbellsville Independent Board of Education, M-05200071-XXX; Treasurer Union County Board of Education, M-05200136-XXX; Treasurer Washington County Board of Education, M-05200141-2; Treasurer Whitley County Board of Education, M-05200400-XXX; Treasurer Jessamine County Board of Education, M-05200640-XXX; Treasurer Franklin County Board of Education, M-05213595-1; West Kentucky Education Cooperative, M-05227938-XXX; Badgett Regional Cooperative, M-05228079-XXX; Treasurer Spencer County Board of Educa-

tion, M-05228126-XXX; Treasurer Clinton County Board of Education, M-05228257-XXX; Treasurer Fleming County Board of Education, M-05228867-XXX; Treasurer Metcalfe County Board of Education, M-05229260-XXX; Carter County Board of Education, M-05229337-XXX; Treasurer Jefferson County Board of Education, M-05282747-4; Treasurer McLean County Board of Education, M-05282817-1; Treasurer Elliott County Board of Education, M-05500035-1; Treasurer Floyd County Board of Education, M-05500066-1; Treasurer Franklin County Board of Education, M-05500069-XXX; Treasurer Jefferson County Board of Education, M-05500104-XXX; Treasurer Jefferson County Board of Education, M-05500107-XXX; Treasurer Jefferson County Board of Education, M-05500109-XXX; Treasurer Jefferson County Board of Education, M-05500112-XXX; Treasurer Jefferson County Board of Education, M-05500113-XXX; Treasurer Jessamine County Board of Education, M-05500123-1; Treasurer McCracken County Board of Education, M-05500142-1; Treasurer McCracken County Board of Education, M-05500143-XXX; Treasurer Perry County Board of Education, M-05500154-1; Treasurer Pulaski County Board of Education, M-05500165-XXX; Treasurer Bourbon County Board of Education, M-06070863-XXX.

FISH & WILDLIFE, DEPARTMENT OF:

USDA Aphis Wildlife Services, M-05250827-1.

LOCAL GOVERNMENT, DEPARTMENT FOR:

City of Glasgow, M-01090000-XXX; City of Eminence, M-02297176-XXX; Knott County Fiscal Court, M-02318769-XXX; University of Louisville Research, M-02448278-2; Black Mountain Utility District, M-03035004-XXX; Webster County Water District, M-03035074-XXX; Corinth City Treasurer, M-03050157-XXX; Pike County Fiscal Court, M-03153794-3; Knott County Fiscal Court, M-03165162-XXX; City of Morehead, M-03203016-XXX; Pike County Treasurer, M-03272165-2; Pike County Treasurer, M-03272165-3; Pike County Treasurer, M-03274204-2; Pike County Treasurer, M-03274204-XXX; Pike County Treasurer, M-03274256-1; Pike County Treasurer, M-03292178-2; Pike County Treasurer, M-03385792-3; City of Highland Heights, M-03426902-XXX; Pike County Treasurer, M-03435995-1; City of Pikeville, M-03462028-XXX; Henderson County Water District, M-04023081-XXX; Henderson County Water District, M-04023128-XXX; Harlan County Fiscal Court, M-04084270-XXX; Mclean County Fiscal Court, M-04152431-2; McLean County Fiscal Court, M-04152471-XXX; City of White Plains, M-04196597-XXX; Leslie County Fiscal Court, M-04196858-XXX; Letcher County Fiscal Court, M-04197540-XXX; Webster County Fiscal Court, M-04197611-XXX; City of Grayson Utilities, M-04202635-XXX; City of Wayland, M-04478971-XXX; City of Lancaster, M-04479013-1; Anderson County Fiscal Court, M-04504950-XXX; City of White Plains, M-04540181-1; Louisville Metro Government, M-05168169-1; City of Uniontown, M-

05191693-1; Perry County Fiscal Court, M-05199693-1; U of L Research Foundation, M-05203533-1; Boyd County Treasurer, M-05204781-1; Perry County Fiscal Court, M-05220918-1; Perry County Fiscal Court, M-05221239-1; Perry County Fiscal Court, M-05221274-1; Perry County Fiscal Court, M-05221359-1; Perry County Fiscal Court, M-05221410-1; Boyd County Treasurer, M-05240724-3; Boyd County Treasurer, M-05240790-XXX; Boyd County Treasurer, M-05240945-1; City of Louisa, M-05241569-1; Lee County Treasurer, M-05280798-XXX; City of Pikeville, M-05281607-2; Pike County Fiscal Court, M-05283804-2; Pike County Fiscal Court, M-05283863-XXX; Pike County Fiscal Court, M-05283896-XXX; Pike County Fiscal Court, M-05283910-XXX; City of Middlesboro, M-05284064-3; Lee County Fiscal Court, M-05285061-XXX; Pike County Fiscal Court, M-05312784-1; Pike County Fiscal Court, M-05330384-XXX; Pike County Fiscal Court, M-05330435-XXX; Pike County Fiscal Court, M-05330573-1; Pike County Fiscal Court, M-05330585-1; Pike County Fiscal Court, M-05330634-1; Pike County Fiscal Court, M-05344835-1; Pike County Fiscal Court, M-05344872-1; Pike County Fiscal Court, M-05344949-1; Pike County Fiscal Court, M-05345645-1; City of Grayson, M-05371987-1; Breathitt County Fiscal Court, M-05377245-1; Webster County Fiscal Court, M-05381424-1; Lee County Fiscal Court, M-05449311-1; Perry County Fiscal Court, M-05450455-XXX; Perry County Fiscal Court, M-05450605-XXX; Pike County Board of Education, M-05452553-1; Louisville Zoological Foundation, M-05460160-XXX; Knott County Fiscal Court, M-05478288-1; Knott County Fiscal Court, M-05478293-1; Whitley County Fiscal Court, M-06038563-1; Whitley County Fiscal Court, M-06038640-1; Pike County Fiscal Court, M-06052290-1; Pike County Fiscal Court, M-06058311-1; Pike County Fiscal Court, M-06058363-1; Clark County Fiscal Court, M-06061028-1; Nelson County Fiscal Court, M-06064922-1; Lee County Fiscal Court, M-06085921-1; Pike County Fiscal Court, M-06087877-XXX; Pike County Fiscal Court, M-06088025-1; City of Jenkins, M-06164384-XXX; Martin County Fiscal Court, M-06164712-1; Perry County Fiscal Court, M-06168241-1; City of Georgetown, M-06171879-XXX; City of Glasgow, M-06180520-XXX; City of Versailles, M-06183307-1; City of Murray, M-06183510-1; City of Ashland, M-06185934-1; City of Hopkinsville, M-06186043-1; City of Winchester, M-06186143-1; City of Springfield, M-06186257-1; City of Guthrie, M-06189752-XXX; Hopkins County Fiscal Court, M-06190171-XXX; City of Mayfield, M-06191070-XXX; City of Henderson, M-06193526-XXX; Mountain Water District, M-06193696-1; City of Trenton, M-06194651-1; Pike County Fiscal Court, M-06208125-XXX; Pike County Fiscal Court, M-06208173-XXX; Pike County Fiscal Court, M-06208295-1; Pike County Fiscal Court, M-06208384-1; Pike County Fiscal Court, M-06208424-XXX; McLean County Fiscal Court, M-06235967-1.

MEDICAL LICENSURE, BOARD OF:
Drug Enforcement Branch, M-06104490-1.

TRANSPORTATION CABINET:

Lexington Fayette Urban County Government, C-00126131-XXX; Jessamine County Fiscal Court, C-01060728-XXX; McLean County Fiscal Court, C-01067059-XXX; City of Dawson Springs, C-02004172-XXX; KCTCS, C-02116843-XXX; City of Princeton, C-02436439-2; City of Madisonville, C-03149845-2; Lincoln Trail Area Development District, C-05010984-XXX; Kentucky Department of Parks, C-05162417-XXX; Kentucky Department of Parks, C-05202710-XXX; Lincoln County Fiscal Court, C-99016567-3.

THE FOLLOWING PERSONAL SERVICE CONTRACTS

WERE SELECTED FOR FURTHER REVIEW:

HEALTH AND FAMILY SERVICES, CABINET FOR:

Liberty Healthcare Corporation, 0600000543. Secretary Birdwhistle and Mike Burnside discussed the contract with the committee. A motion was made by Senator Stine to consider the contract as reviewed without objection. Senator Tori seconded the motion, which passed unanimously.

EASTERN KENTUCKY UNIVERSITY:

Hardy, Carey, Chautin and Balkin, LLP, 07-004. Tim Singleton and Rick Prewitt discussed the contract with the committee. A motion was made by Representative Stein to consider the contract as reviewed without objection. Representative Crenshaw seconded the motion, which passed with Senator Stine, Representative Montell, and Representative Yonts electing to abstain.

EDUCATION, DEPARTMENT OF:

HUMRRO, M-06209702. Gary Freeland and Roger Ervin discussed the contract with the committee. No motion was made on the contract.

EDUCATION, DEPARTMENT OF:

ACT, M-06210103. Gary Freeland and Roger Ervin discussed the contract with the committee. A motion was made by Senator Stine to consider the contract as reviewed without objection. Representative Montell seconded the motion, which passed unanimously.

HEALTH AND FAMILY SERVICES, CABINET FOR:

Woodlake Institute for Human Services, M-06193954. Jonathan Copley and Wes Butler discussed the contract with the committee. A motion was made by Representative Stein to consider the contract as reviewed without objection. Senator Stine seconded the motion, which passed unanimously.

HEALTH AND FAMILY SERVICES, CABINET FOR:

Loy, Bryan A., M-06056635; Anzures, Humildad T., M-06210050; Athy, Jay E., M-06210071; Brake, Jane F., M-06210088; Brown, R. Kendall, M-06210099; Cutler, Laura M., M-06210112; Dawson, M. Allen, M-06210117; Demaree, Anna L., M-06210135; Freudenberger, Larry, M-06210148; Gedmark, John I., M-06210170; Gregg, Timothy H., M-06210188; Guerrero, Alexis M., M-

06210206; Hernandez, Carlos, M-06210221; Hess, Ann L., M-06210234; Jacobson, Jan, M-06210251; Lange, Amanda, M-06210266; Mukherjee, Sudhideb, M-06210432; Penn, Dennis B., M-06210447; Perritt, Lea J., M-06210459; Prout, Thompson H., M-06210488; Rawlings, John T., M-06210499; Ross Jr., Edward A., M-06210524; Ross, James E., M-06210557; Saranga, Parandhamulu, M-06210566; Scher, Stephen, M-06210580; Sexton, Jo Anne, M-06210593; Sillers, Ilze A., M-06210606; Stodola, Ed, M-06210612; Stubbs, Margaret, M-06210625; Swan, David S., M-06210635; Thompson PhD., Mary, M-06210644; Vandivier, Dan K., M-06210648. Jonathan Copley, Steven Jones, and Wes Butler discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed without objection. Senator Tori seconded the motion, which passed unanimously.

HEALTH AND FAMILY SERVICES, CABINET FOR:

Goldberg and Simpson, M-06056478; Jones, Julie B., M-06057166; Greenebaum, Doll & McDonald, M-06067088; Stoll Keenon Ogden, PLLC, M-06242062; ENA Incorporated, M-06246627; Brighton Center Incorporated, M-06246727. Jonathan Copley and Wes Butler discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed without objection. Senator Stine seconded the motion, which passed unanimously.

Senator Stine requested that the Government Contract Review staff research and report to the committee all contracts with the law firm Stoll Keenon Ogden f/k/a Stoll Keenon and Park.

Representative Crenshaw requested that the Government Contract Review staff research and report to the committee all contracts with the law firm Frost Brown Todd.

HEALTH AND FAMILY SERVICES, CABINET FOR:

ENA Incorporated, M-06246627; Brighton Center Incorporated, M-06246727; Seven Counties Services Incorporated, M-06246774; ENA Incorporated, M-06246825; Hazard Perry County Commission d/b/a New Beginnings Child Development Center, M-06246827. Jonathan Copley and Wes Butler discussed the contracts with the committee. A motion was made by Senator Stine to consider the contracts as reviewed without objection. Senator Tori seconded the motion, which passed unanimously.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

Frost Brown Todd, LLC, 307. Monica McFarland and David Holcomb discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as deferred until the August meeting of the committee. Representative Stein seconded the motion, which passed with Senator Tori voting NO.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

Greenebaum Doll & McDonald, PLLC, 308; Walther, Roark, Gay & Todd, PLC, 309; Wyatt Tarrant & Combs, LLP, 310. Monica McFarland and David Holcomb discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed without objection. Senator Tori seconded the motion, which passed unanimously.

LEGISLATIVE RESEARCH COMMISSION:

Lawrence K. Lynch, 06-07-01. A motion was made by Senator Stine to consider the contract as reviewed without objection. Representative Montell seconded the motion, which passed with unanimously.

LEGISLATIVE RESEARCH COMMISSION:

Dr. James Catterall, 060702; Dr. John Poggio, 060703; Dr. Suzanne Lane, 060704; Dr. Robert L. Linn, 060705; Dr. David Miller, 060706; Dr. Andrew Porter, 060707. A motion was made by Senator Stine to consider the contracts as deferred to the August meeting of the committee. Representative Montell seconded the motion, which passed unanimously.

PERSONNEL CABINET:

Goldberg and Simpson, M-06208159. Mark Honeycutt discussed the contract with the committee. A motion was made by Senator Stine to consider the contract as reviewed without objection. Representative Montell seconded the motion, which passed with Representative Crenshaw and Representative Stein voting NO and Representative Yonts electing to abstain.

THE FOLLOWING PERSONAL SERVICE CONTRACT AMENDMENT

WAS SELECTED FOR FURTHER REVIEW:

PARKS, DEPARTMENT OF:

New West, LLC, M-04085896-XXX. Bernard Decker discussed the amendment with the committee. A motion was made by Senator Stine to consider the amendment as reviewed without objection. Representative Montell seconded the motion, which passed unanimously.

THE FOLLOWING PERSONAL SERVICE CONTRACTS FOR \$10K AND UNDER

WERE SELECTED FOR FURTHER REVIEW:

EDUCATION, DEPARTMENT OF:

Roberts and Kay Management Consultants, C-06191272. Gary Freeland discussed the contract with the committee. A motion was made by Senator Stine to consider the contract as reviewed without objection. Representative Crenshaw seconded the motion, which passed with Senator Tori voting NO.

HEALTH AND FAMILY SERVICES, CABINET FOR:

Morgan and Pottinger, C-05307595. Jonathan Copley and Wes Butler discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed without objection. Representative Montell seconded the motion, which passed unanimously.

HEALTH AND FAMILY SERVICES, CABINET FOR:

Stoll Keenon and Ogden, PLLC, M-06228702. Jonathan Copley and Wes Butler discussed the contract with the committee. A motion was made by Representative Montell to consider the contract as reviewed without objection. Senator Tori seconded the motion, which passed unanimously.

A motion by Senator Tori was made to reconsider the vote by which the contract was reviewed. Representative Stein seconded the motion, which passed with Senator Stine not voting.

A motion was made by Senator Tori to defer the contract to the August meeting of the committee. Representative Stein seconded the motion, which passed with Senator Stine not voting.

THE FOLLOWING MEMORANDA OF AGREEMENT

WERE SELECTED FOR FURTHER REVIEW:

EDUCATION, DEPARTMENT OF:

Treasurer Carlisle County Board of Education, M-06077737; Treasurer Shelby County Board of Education, M-06190436; Fayette County Treasurer Board of Education, M-06216727. Gary Freeland discussed the agreements with the committee. A motion was made by Representative Crenshaw to consider the agreements as reviewed without objection. Representative Yonts seconded the motion, which passed with Senator Stine and Senator Tori voting NO and Representative Montell electing to abstain.

HEALTH AND FAMILY SERVICES, CABINET FOR:

Cumberland River Regional Mental Health Mental Retardation Board, M-06246694; Big Sandy Area Development District, M-06246762; Central Kentucky Community Action Council, M-06246792; Foothills Community Action, M-06246806; Foothills Community Action, M-06246816; Foothills Community Action, M-06246822; Licking Valley CAA, M-06246826. Jonathan Copley and Wes Butler discussed the agreements with the committee. A motion was made by Senator Stine to consider the agreements as reviewed without objection. Representative Stein seconded the motion, which passed unanimously.

THE FOLLOWING MEMORANDUM OF AGREEMENT AMENDMENT

WAS SELECTED FOR FURTHER REVIEW:

EDUCATION, DEPARTMENT OF:

Treasurer Jefferson County Board of Education, M-05500096-XXX. Gary Freeland discussed the amendment with the committee. A motion was made by Senator Stine to consider the amendment as reviewed without objection. Representative Crenshaw seconded the motion, which passed unanimously.

TRANSPORTATION CABINET:

Tim Pollard, David Gray, and Wayne Bates discussed an exemption to the LRC Government Contract Review Committee Policy Statement #98-1 "Hourly Rates v. Travel Expenses" for the twelve personal service contracts that the Cabinet's Office of the Inspector General is establishing for investigative services for the 2006-2008 biennium, which would allow the

individual contractors to be reimbursed for travel along with their hourly rate of pay. A motion was made by Senator Tori and Representative Crenshaw to approve the exemption. Representative Montell seconded the motion, which passed unanimously.

TRANSPORTATION CABINET:

Tim Pollard, David Gray, and Wayne Bates discussed an exemption to the LRC Government Contract Review Committee Policy Statement #98-1 "Hourly Rates v. Travel Expenses" for the personal service contract that the cabinet is establishing with the Southern and Eastern Kentucky Tourism Development Association for the 2006-2008 biennium, which would allow the cabinet to reimburse SEKTD for normal travel expenses in addition to the hours spent working on the project. A motion was made by Representative Crenshaw to approve the exemption. Representative Stein seconded the motion, which passed unanimously.

With no further business before the committee, the meeting adjourned at 2:53 p.m.

**Government Contract Review Committee
Committee Minutes
August 9, 2006**

The Government Contract Review Committee met on Wednesday, August 9, 2006, at 10:30 AM, in <Room> Room 125 of the Capitol Annex. Senator Katie Stine, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Katie Stine, Co-Chair; Representative Brent Yonts, Co-Chair; Senators Carroll Gibson, Ernesto Scorsone, and Elizabeth Tori; Representatives Jesse Crenshaw, Brad Montell, and Kathy Stein.

Guests: Jonathan Copley, Wes Butler, Monica McFarland, David Holcomb, Gary Freeland, and Keena Cole.

LRC Staff: Michael L. Meeks, Karen Crabtree, Sandy Deaton, Kim Eisner, Geri Grigsby, Brad Metcalf, and Jennifer Wilson.

A motion was made by Representative Yonts to approve the Minutes of the July 13, 2006, meeting of the committee. Senator Tori and Representative Montell seconded the motion, which passed unanimously.

A motion was made by Representative Yonts to consider as reviewed, the Personal Service Contract List, with exception of those items selected for further review by members of the committee. Senator Tori seconded the motion, which passed without objection.

A motion was made by Representative Yonts to consider as reviewed, the Personal Service Contract Amendment List, with exception of those items selected for further review by members of the committee. Senator Tori seconded the motion, which passed with Senator Stine electing to abstain on #1, 0600001387, Premier Drug Testing.

A motion was made by Representative Yonts to consider as reviewed, the Memoranda of Agreement List, with exception of those items selected for fur-

ther review by members of the committee. Senator Tori seconded the motion, which passed without objection.

Senator Stine requested the record reflect that she would take no action on Personal Service Contract for \$10K and under, Administrative Office of the Courts, Premier Drug Testing, 0600001387.

THE FOLLOWING PERSONAL SERVICE CONTRACTS

WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF:
Miss Kentucky Scholarship, 0600000033; SGS Control Services Incorporated, 0600000065.

ATTORNEY GENERAL, OFFICE OF THE:
Miner Barnhill and Galland, 0600000002; Charles J. Rickert, 0600001040.

CRIMINAL JUSTICE TRAINING, DEPARTMENT OF:
Doug, Czor, 0600001088; Brett, Scott, 0600001130.

EASTERN KENTUCKY UNIVERSITY:
G & H International Services, 07-014.
EDUCATION, DEPARTMENT OF:

Lois Gray, 0600000167; Center for Occupational, 0600000191; David Cox, 0600000194; Robin B. Johnson, 0600000342; Carol A. Klaber, 0600000343; One Plus Services, 0600000353; Danna Nunn Morrison, 0600000361; Stephen Couch, 0600000365; Karen Hackney, 0600000372; , Multi-Virtual High School, 0600000503; Sarah Hill, 0600000626; Voyageur, 0600000629; Diana Taylor, 0600000659; Multi - Virtual High School, 0600000785; Kentucky Youth Advocates Incorporated, 0600000883; Edgar Pete Miller, 0600001071; Pia Cummings, 0600001076; Jennifer R. Stocker, 0600001283; Linda Martin, 0600001289

EDUCATIONAL TELEVISION, KENTUCKY:

Vonlehman and Company, 0600000408; Roger Bondurant, 0600000461; James Bugay, 0600000478; James R. Slone, 0600000491; Britt Davis, 0600000494; William K. Durham, 0600000495; Michelle Larock, 0600000496; Susan B. Hines-Bricker, 0600000562.

ENVIRONMENTAL AND PUBLIC PROTECTION CABINET:

Amec Earth and Environmental, 0600000128; Fuller Mossbarger Scott, 0600000322; Shield Environmental, C-05506533.

FAMILIES & CHILDREN, CABINET FOR:

Home of the Innocents, 0600000326; Brighton Center Incorporated, 0600000327; Hazard Perry County Commission Ministries, 0600000329; Owl d/b/a Opportunity for Work, 0600000334; Employment Solutions, 0600000339; Bluegrass Regional Mental Health Mental Retardation, 0600000460; Central Kentucky CAC Incorporated, 0600000502; Presby Child Welfare, 0600000516; Audubon Area Community, 0600000531; Presby Child Welfare, 0600000542; Presby Child Welfare, 0600000545; Foothills Community Action, 0600000553; Community

Action of Southern Kentucky Incorporated, 0600000563; Foothills Community Action, 0600000594; Foothills Community Action, 0600000611; Presby Child Welfare, 0600000614; Licking Valley CAP, 0600000617; Seven Counties Service Incorporated, 0600000622; Pennyrile Allied Community Service, 0600000625; Pathways Incorporated, 0600000635; The Family Place, 0600000636; Buchholz, Dennis, 0600000654; Father Maloney's Boys Haven, 0600000685; Father Maloney's Boys Haven, 0600000706; Brighton Center Incorporated, 0600000718; Bellewood Presbyterian, 0600000724; Father Maloney's Boys Haven, 0600000726; Prevent Child Abuse Kentucky, 0600000738; Children's Home of Northern Kentucky, 0600000739; Croney and Clark Incorporated, 0600000741; Father Maloney's Boys Haven, 0600000746; Father Maloney's Boys Haven, 0600000747; Father Maloney's Boys Haven, 0600000751; Home of the Innocents, 0600000752; Bellewood Presbyterian Home, 0600000754; Bellewood Presbyterian Home, 0600000756; Bellewood Presbyterian Home, 0600000757; Bellewood Presbyterian Home, 0600000758; Father Maloney's Boys Haven, 0600000761; Brighton Center Incorporated, 0600000763; Ramey Estep Homes Incorporated, 0600000766; Brighton Center Incorporated, 0600000769; Methodist Home of Kentucky Incorporated, 0600000771; Audubon Area Community, 0600000772; Prevent Child Abuse Kentucky, 0600000778; Home of the Innocents, 0600000800; Community Action of Southern Kentucky Incorporated, 0600000818; Covington Protestant, 0600000842.

HEALTH SERVICES, CABINET FOR:
Kentucky Domestic Violence, 0600000152; Save the Children, 0600000302; Mountjoy & Bressler, LLP, 0600000459; Seven Counties Services Incorporated, M-06246774.

HIGHER EDUCATION ASSISTANCE AUTHORITY, KENTUCKY:

Strothman and Company, 0600000113; Strothman and Company, 0600000115.

INFRASTRUCTURE AUTHORITY:
First Southwest Company, 0600000676; Berger and Company CPA, 0600001323.

INSURANCE, DEPARTMENT OF:
Tilford Dobbins, 0600000042; Neriette Eldridge, 0600000076; McBrayer McGinnis Leslie, 0600000081; GAB Robins North America Incorporated, 0600000130; Julie Geilear, 0600000140; Rick R. Waddle, 0600000155; James C. Robke, 0600000157; A. Kent Cavenee, 0600000163; Examination Management, 0600000181; H Charles Black Incorporated, 0600000183; J.W.G. Financial Examinations, LLC, 0600000188; William D. Clark, 0600000209; Bobmar Incorporated, 0600000225; Maynard Consulting Incorporated, 0600000233; Dale Harter, LLC, 0600000245; Harlow and Company LLC, 0600000251; Black, Benton and Associates, 0600000257; Troupe Incorporated, 0600000261; Jaybird Enterprise, LLC, 0600000263; Compex Incorporated,

0600000264; Insurance Regulatory, 0600000265; DCF Services Incorporated, 0600000266; Bowser Morner Associates Incorporated, 0600000298; Gab Robins North America Incorporated, 0600000314; Wakely Consulting Group, 0600000393; Wakely Consulting Group, 0600000429; Thomson Prometric, 0600000437; Milliman USA, 0600000440; Pinnacle Actuarial Resources Incorporated, 0600000463; Reden and Anders LTD, 0600000464; Reden and Anders LTD, 0600000468; Psychological Services Incorporated, 0600000497; Moore Stephens Potter LLP, 0600000526.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

Robert Knight, 324; Bismarck State College, 327.

KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION:

Group I Software, 06-032.

MEDICAID SERVICES, DEPARTMENT FOR:

Myers and Stauffer LC, 0600000328; Island Peer Review, 0600000498.

MENTAL HEALTH AND MENTAL RETARDATION, DEPARTMENT FOR:

Reach of Louisville Incorporated, 0600000325; Res Care Incorporated, 0600000331; Neurobehavioral Resources LTD, 0600000349; Res Care Incorporated, 0600000381; Pennyrile Radiology, 0600000484; Jackson & Coker Locumtenens, LLC, 0600000518; Locumtenens.COM, 0600000535; Staff Care Incorporated, 0600000587; The Chyron Group, LLC, 0600000649; Cumberland Foot and Ankle, 0600000670; Crown Services Incorporated, 0600000721; Maxim Healthcare Services, 0600000740; Jackson & Coker Locumtenens, LLC, 0600000742; Locumtenens.COM, 0600000781; Staff Care Incorporated, 0600000784; Arc of Kentucky Incorporated, 0600001270.

MILITARY AFFAIRS, DEPARTMENT OF:

Innovative Productivity Incorporated, 0600000227.

MOREHEAD STATE UNIVERSITY:

University of Kentucky Department of Orthopedic Surgery and Sports, 07-010.

MURRAY STATE UNIVERSITY:

Hastings & Chivetta Architects, 013-06-2; Capitol Solutions, LLC, 014-07-2; Keeling & Associates, 015-07-2.

NORTHERN KENTUCKY UNIVERSITY:

SMG, 2008-446.

PERSONNEL BOARD:

John C. Ryan, 0600000529; Kim H. Price, 0600000687; Geoffrey Greenawalt, 0600000693; Hanson Williams, 0600000713; James L. Dickinson, 0600000719; Sheadel, Ann M., 0600000744; Merkel, Roland P., 0600000755; Stephen T. McMurtry, 0600000760; Colleen Beach, 0600000762; Steven G. Bolton, 0600000764.

POST SECONDARY EDUCATION, COUNCIL ON:

NCHEMS, 0600000362; Kentucky Science and Technology Center, 0600000368; Kentucky Science and Technology Center, 0600000394; National Center for Family Literacy, 0600000506

PUBLIC HEALTH, DEPARTMENT FOR:

Family and Children's First, 0600000647; AA Pregnancy Care Center, 0600000716; Countywide Action Reachout EFF, 0600000733; Crisis Pregnancy Center, 0600000734; New Hope Center, 0600000735; Pregnancy Helpline Incorporated of Louisville, 0600000737; Community Health Clinic, 0600000876; Healthcare Education and Registration Training, 0600000898; Central Kentucky Blood Center, 0600000899; Epilepsy Foundation Kentuckiana Incorporated, 0600000900; Lexington Hearing and Speech Center, 0600000912; Community Medical Care Incorporated, 0600000924; Park Duvalle Neighborhood Health Center, 0600001077; Kentucky Hospital Associates, 0600001082; Kentucky Hospital Associates, 0600001083; Multi- KY Early Intervention Services, 0600001102; St. Joseph Hospital, 0600001107; Norton Healthcare Incorporated, 0600001126; Mission Frankfort Clinic Incorporated, 0600001205.

STATE POLICE, DEPARTMENT OF:
Law Enforcement Services Incorporated, 0600000297.

TRANSPORTATION CABINET:
Forward Edge Associates, 0600000927; Southern and Eastern Kentucky Tourism Development Association, 0600001022.

TRAVEL, DEPARTMENT OF:
Strategic Alliance Group, LLC, 0600000442.

TURNPIKE AUTHORITY OF KENTUCKY:

Arbitrage Compliance Specialists Incorporated, 0608ARB; McElroy, Mitchell & Associates, LLP, 0608AUD; Peck, Shaffer & Williams, LLP, 0608LEG.

UNIVERSITY OF KENTUCKY:
Ekhoﬀ, Ochenkoski, Polk Architects, A071060; SAP Public Services Incorporated, K07-131; Facilities Commissioning Group, K07-132; Potter Associates, K07-133; St. Elizabeth Medical Center, K07-134.

UNIVERSITY OF LOUISVILLE:
McDonald & Associates Incorporated, 07-005.

WESTERN KENTUCKY UNIVERSITY:
Aegis Security Design, 290607; CMS Publishing Incorporated, 300607; Sodexo Education Services Incorporated, 320607; Linda Caputi Incorporated, 340607.

WORKPLACE STANDARDS, DEPARTMENT OF:

Moore Stephens Potter, LLP, 0600000079.

THE FOLLOWING PERSONAL SERVICE CONTRACT AMENDMENTS

WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Premier Drug Testing, 0600001387.
INSURANCE, DEPARTMENT OF
William D. Clark, 0600000209.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

Life and Health Insurance Foundation for Education (LIFE), 326.

KENTUCKY EMPLOYER'S MUTUAL INSURANCE:

Multi - Legal, 06-CLD002.

PERSONNEL BOARD:

Geoffrey Greenawalt, 0600000693.

THE FOLLOWING MEMORANDA OF AGREEMENT

WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF:
Commerce Cabinet, 0600000802.
CORRECTIONS, DEPARTMENT OF:
Eastern Kentucky University, M-06175483.

DENTISTRY, BOARD OF:
Kentucky Dental Associates, M-06223687.

ECONOMIC DEVELOPMENT - OFFICE OF THE SECRETARY:

Commerce Cabinet, M-06185031.

EDUCATION CABINET, OFFICE OF THE SECRETARY:

East Kentucky Science Center, 0600000124.

EDUCATION, DEPARTMENT OF:

Fayette County Treasurer, 0600000136; Kentucky Educational Television, 0600000177; Carlisle County School District, 0600000203; Spencer County Board of Education, 0600000206; Treasurer Franklin County Board of Education, 0600000213; Treasurer Russell County Board of Education, 0600000215; Treasurer Johnson County Board of Education, 0600000216; Treasurer Union County Board of Education, 0600000218; Treasurer Knott County Board of Education, 0600000226; Treasurer Frankfort Independent Board of Education, 0600000228; Treasurer Danville Independent Board of Education, 0600000229; Treasurer Lyon County Board of Education, 0600000230; Treasurer Harlan County Board of Education, 0600000231; Treasurer Ballard County Board of Education, 0600000246; Treasurer Jefferson County, 0600000248; Treasurer Jackson County Board of Education, 0600000252; Treasurer Shelby County Board of Education, 0600000258; Treasurer Clinton County Board of Education, 0600000259; Treasurer Pendleton County Board of Education, 0600000344; Bethune Institute, 0600000345; Treasurer Henderson County Board of Education, 0600000346; Treasurer Knox County Board of Education, 0600000347; Treasurer Warren County Board of Education, 0600000348; Treasurer Barbourville Independent Board of Education, 0600000350; Treasurer Boone County Board of Education, 0600000354; Treasurer Pike County Board of Education, 0600000355; Treasurer Bourbon County Board of Education, 0600000356; Treasurer Bowling Green Independent Board of Education, 0600000357; Treasurer Boyle County Board of Education, 0600000363; Bullitt County Board of Education, 0600000364; Treasurer Butler County Board of Education, 0600000366; Treasurer Campbellsville, 0600000367; Treasurer Carroll County Board of Education, 0600000369; Center for Family and Children, 0600000371; Christian County Board of Education, 0600000373; Treasurer Clinton County Board of Education, 0600000375; Treasurer Corbin Independent Board of Education, 0600000379; Covington Independent Board of Education, 0600000380; Treasurer Dawson

Springs Independent Board of Education, 0600000383; Treasurer Dayton Independent Board of Education, 0600000386; Treasurer Fairview Independent Board of Education, 0600000388; Treasurer Frankfort Independent Board of Education, 0600000389; Treasurer Garrard County Board of Education, 0600000392; Treasurer Greenup County Board of Education, 0600000395; Treasurer Eminence Independent Board of Education, 0600000396; Treasurer Estill County Board of Education, 0600000398; Treasurer Jackson Independent Board of Education, 0600000399; Treasurer Jenkins Independent Board of Education, 0600000400; Treasurer Knox County Board of Education, 0600000401; Treasurer Lee County Board of Education, 0600000402; Treasurer Leslie County Board of Education, 0600000403; Treasurer Lewis County Board of Education, 0600000406; Lexington Fayette Urban, 0600000407; Treasurer Lincoln County Board of Education, 0600000409; Treasurer Livingston County Board of Education, 0600000410; Lotts Creek Community School, 0600000411; Treasurer Madison County Board of Education, 0600000413; Treasurer Metcalfe County Board of Education, 0600000415; Treasurer Middlesboro Independent Board of Education, 0600000416; Treasurer Monroe County Board of Education, 0600000417; Treasurer Monticello Independent Board of Education, 0600000418; Morgan County Board of Education, 0600000419; Treasurer Newport Independent Board of Education, 0600000420; Treasurer Ohio County Board of Education, 0600000421; Owen County Board of Education, 0600000422; Treasurer Paintsville Independent, 0600000423; Treasurer Paris Independent Board of Education, 0600000424; Treasurer Pike County Board of Education, 0600000425; Treasurer Pineville Independent Board of Education, 0600000426; Treasurer Powell County Board of Education, 0600000427; Treasurer Robertson County Board of Education, 0600000428; Treasurer Rowan County Board of Education, 0600000430; Treasurer Russell County Board of Education, 0600000433; Treasurer Warren County Board of Education, 0600000434; Treasurer Whitley County Board of Education, 0600000435; Covington Independent Board of Education, 0600000443; Fayette County Treasurer, 0600000445; Treasurer Hart County Board of Education, 0600000446; Treasurer Logan County Board of Education, 0600000447; Treasurer Madison County Board of Education, 0600000449; Treasurer Monroe County Board of Education, 0600000450; Treasurer Newport Independent Board of Education, 0600000451; Treasurer Owensboro Independent Board of Education, 0600000452; Multi-Read to Achieve, 0600000509; Multi-Read to Achieve, 0600000524; Treasurer Boone County Board of Education, 0600000525; Treasurer Fleming County, 0600000528; Treasurer Hardin County Board of Education, 0600000550; Treasurer Lawrence County Board of Education, 0600000552; Treasurer Montgomery County Board of Education, 0600000554; Treasurer Union

County Board of Education, 0600000555; Multi-Read to Achieve, 0600000557; Treasurer Madison County Board of Education, 0600000609; Treasurer Hardin County Board of Education, 0600000646; Treasurer Grant County Board of Education, 0600000652; Northern Kentucky Cooperative, 0600000773; Treasurer Pike County Board of Education, 0600001118; Campbell County YMCA After School, 0600001125; Treasurer Boyd County Board of Education, 0600001306; Multi-Read to Achieve, 0600001333; Multi-Read to Achieve, 0600001336.

FISH & WILDLIFE, DEPARTMENT OF:
Executive Marina of Owensboro, 0600001288; Division of Conservation, 0600001307; Kentucky State Nature Preserves Commission, 0600001308; U S Fish and Wildlife Service, 0600001332.

HEALTH AND FAMILY SERVICES, CABINET FOR:

Barren River Area Child Advocacy, 0600000799; Kentucky State Police Headquarters, M-06005295; Murray State University, M-06117483; Commerce Cabinet, M-06156318.

HIGHER EDUCATION ASSISTANCE AUTHORITY, KENTUCKY:

Kentucky Higher Education Student Loan Corporation, 0600000840.

JUSTICE CABINET:

Commerce Cabinet, M-06228684.

LOCAL GOVERNMENT, DEPARTMENT FOR:

City of Maysville, M-04485011; Ohio County Fiscal Court, M-04489552; City of Manchester, M-04492795; McCracken County Fiscal Court, M-04494111; Magoffin County Fiscal Court, M-04500142; City of Springfield, M-04520231.

MURRAY STATE UNIVERSITY:

Caldwell County Board of Education, 903-07.

NATURAL RESOURCES & ENVIRONMENTAL PROTECTION CABINET:

Whitley County Fiscal Court, 0600000070; City of Hazard, 0600000208; Anderson County Conservation District, 0600000321; NREPC Division of Conservation, M-06145713; EPPC Division of Conservation, M-

06172722.

POST SECONDARY EDUCATION, COUNCIL ON:

Kentucky Department of Education, 0600000112; Commerce Cabinet, M-06211790

WORKFORCE INVESTMENT, OFFICE OF:

Redwood School and Rehabilitation Center, 0600000274; Bluegrass Technology Center, 0600000288; Spalding University, 0600000289; Western Kentucky Assist Technical Center, 0600000290; Council on Mental Retardation, 0600000291; Jefferson County Board of Education, 0600000806.

THE FOLLOWING MEMORANDUM OF AGREEMENT AMENDMENT

WAS REVIEWED WITHOUT OBJECTION:

LOCAL GOVERNMENT:

Multi-Recreational Trails Program, M-04485667.

THE FOLLOWING PERSONAL SERVICES CONTRACTS WERE DEFERRED FROM THE JULY MEETING OF THE COMMITTEE:

HEALTH AND FAMILY SERVICES, CABINET FOR:

Stoll Keenon Ogden, PLLC, M-06242062. Jonathan Copley and Wes Butler discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed at a maximum rate of \$125 per hour. Senator Scorsone seconded the motion, which passed with Senator Gibson, Senator Stine, and Representative Montell electing to abstain.

KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM:

Frost Brown Todd, LLC, 307. Monica McFarland and David Holcomb discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed at a maximum rate of \$125 per hour. Senator Scorsone seconded the motion, which passed with Senator Gibson, Senator Stine, and Senator Tori electing to abstain.

A motion was made by Senator Gibson to have the committee review the policies that pertain to professional services for a possible change in hourly rates. Senator Tori seconded the motion, which passed unanimously.

LEGISLATIVE RESEARCH COMMISSION:

Dr. James Catterall, 060702; Dr. John Poggio, 060703; Dr. Suzanne Lane, 060704; Dr. Robert L. Linn, 060705; Dr. David Miller, 060706; Dr. Andrew Porter, 060707. Senator Stine requested that all LRC deferred contracts remain deferred until the Legislative Research Commission acts approves the contracts pursuant to KRS 158.6454.

THE FOLLOWING PERSONAL SERVICE CONTRACT FOR \$10K AND UNDER WAS DEFERRED FROM THE JULY MEETING OF THE COMMITTEE:

HEALTH AND FAMILY SERVICES, CABINET FOR:

Stoll Keenon Ogden, PLLC, M-06228702. Jonathan Copley and Wes Butler discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed at a maximum rate of \$125 per hour. Senator Scorsone seconded the motion, which passed with Senator Gibson, Senator Stine, and Representative Montell electing to abstain.

Senator Tori made a motion to reconsider the vote on the personal service contract between the Health and Family Services and Stoll Keenon Ogden, PLLC, M-06242062 and Stoll Keenon Ogden, PLLC, M-06228702. Senator Gibson seconded the motion, which failed with Senator Scorsone, Representative Crenshaw, Representative Stein, and Representative Yonts voting NO and Senator Tori electing to abstain.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

EDUCATION, DEPARTMENT OF:

Measured Progress, 0600000160. Gary Freeland discussed the contract with the committee. A motion was made by

Representative Yonts to consider the contract as reviewed. Representative Stein seconded the motion, which passed with Senator Gibson, Senator Stine, and Senator Tori voting NO and Representative Montell electing to abstain.

EDUCATION, DEPARTMENT OF:

Lawrence O. Picus, 0600000691. Gary Freeland and Keena Cole discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Scorsone seconded the motion, which passed with Senator Gibson, Senator Stine, Senator Tori, and Representative Montell voting NO and Representative Stein electing to abstain.

MENTAL HEALTH AND MENTAL RETARDATION, DEPARTMENT FOR:

Crown Services, Incorporated, 0600000612; Eric S. Kelley, 0600000621; James L. Saindon, 0600000632; Meade, Jewell R., 0600000634; Hornsby, Angela M., 0600000638; Miniard, Holly, 0600000641; Jeannie L. Burton, 0600000642; Ronda A. Flynn, 0600000644; Foley, Sara L., 0600000645; Timothy W. Poynter, 0600000648; Medroso, M. Y., 0600000660; Vivian Girdler Incorporated, 0600000662; Atwell, Emma Lora, 0600000668; Huffman and Huffman, 0600000677; Firstlab LLC, 0600000689; Michael Lukat, 0600000709; Family Allergy and Asthma, 0600000720; Columbus Medical, 0600000722; Guardian Healthcare Providers, 0600000723. Jonathan Copley and Wes Butler discussed the contracts with the committee. A motion was made by Senator Scorsone to defer the contracts to the September meeting of the committee. Representative Stein seconded the motion, which passed unanimously.

MILITARY AFFAIRS, DEPARTMENT OF:

The Rhoads Group, 0600001075; Public Private Solutions Group, 0600001149. A request was made by Senator Tori for a representative from each service address the committee. A motion was made by Senator Tori to consider the contracts as reviewed. Representative Yonts and Representative Crenshaw seconded the motion which passed without objection.

THE FOLLOWING MEMORANDA OF AGREEMENT

WERE SELECTED FOR FURTHER REVIEW:

EDUCATION, DEPARTMENT OF:

Treasurer Hazard Independent Board of Education, 0600000123; Treasurer Knox County Board of Education, 0600000180. A motion was made by Representative Crenshaw to consider the agreements as reviewed. Representative Stein seconded the motion, which passed with Senator Gibson and Representative Montell electing to abstain and Senator Tori and Senator Stine voting NO.

With no further business before the committee, the meeting adjourned at 12:08 p.m.

Program Review and Investigations Committee Minutes

August 10, 2006

The Program Review and Investigations Committee met on Thursday, August 10, 2006, at 10:00 AM, in Room 169 of the Capitol Annex. Senator Ernie Harris, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ernie Harris, Co-Chair; Representative Tommy Thompson, Co-Chair; Senators Charlie Borders, Vernie McGaha, R.J. Palmer II, Joey Pendleton, Dan Seum, and Katie Stine; Representatives Adrian K. Arnold, Sheldon E. Baugh, Dwight D. Butler, Charlie Hoffman, Ruth Ann Palumbo, and Arnold Simpson.

Guests: Jody E. Hughes, Executive Director; John S. Tapp, Ph.D., Executive Assistant; and Robert Potter, Executive Assistant; Kentucky Infrastructure Authority: Melinda L. Wheeler, Director, Kentucky Administrative Office of the Courts: Mary Pedersen, E-Warrants Project Director, Kentucky Office of Homeland Security: Dan I. Abner, Executive Director, Division of Material and Procurement Services; Hiren Desai, Office of Legal Services; Finance and Administration Cabinet.

LRC Staff: Greg Hager, Committee Staff Administrator; Kara Daniel; Rick Graycarek; Jim Guinn; Margaret Hurst; Van Knowles; Nadezda Nikolova; Perry Papka; Deepsi Sigdel; Cindy Upton; Tanlee Wasson; and Jennifer Beeler, Committee Assistant; Program Review and Investigations Committee.

Minutes of the May 18, 2006 meeting were approved, without objection, upon motion made by Sen. Pendleton and seconded by Sen. McGaha.

Rick Graycarek, Program Review Staff, presented a summary and update of the report Planning for Water Projects in Kentucky: The Implementation of Senate Bill 409, which was adopted by the committee on October 25, 2005.

Mr. Graycarek stated that the study had three objectives: describing SB 409 and the way water projects in Kentucky are planned, analyzing how SB 409 is being implemented, and comparing highway planning to planning for water projects.

Mr. Graycarek explained that SB 409, enacted during the 2000 Regular Session, made significant changes to the water planning process. The first was the creation of water management planning councils, which are local groups of public water suppliers, government leaders and others who identify, plan, and prioritize water and wastewater projects within their areas. Most planning councils correspond to the territory established by an area development district. Mr. Graycarek stated that SB 409 required area development districts to develop area water management plans. Mr. Graycarek said that a statewide management plan was to be created by combining the area development districts' management plans.

Mr. Graycarek stated that project proposals begin at the local level and water management planning councils then prioritize the proposals. Next, area development districts review all council plans within their areas, combine them into one prioritized document and forward them to

the Kentucky Infrastructure Authority (KIA). He said that KIA reviews the projects and sends them to relevant agencies for initial regulatory review and potential funding. Projects then go before the KIA Board and the Capital Projects and Bond Oversight Committee for approval.

In regard to implementation he stated that in the report 12 provisions of SB 409 were analyzed and more current information is available for 2 provisions: regionalization and the provision of potable water.

He stated that one measure of regionalization is the number of water systems that merge each year. Around 25 water systems have merged each year from 1995 to 2004, which indicates that SB 409 did not initiate the merger trend, but may have helped continue it. Mr. Graycarek stated that in 2005 the number of mergers dropped to 17, but that it is too soon to know whether this is part of a longer-term trend.

Mr. Graycarek explained that another measure of regionalization is the number of regional projects that receive state funding. He said that one of every eight state-funded projects in the 2004-2006 Biennium was regional.

Mr. Graycarek stated that making potable water available to all Kentuckians by the year 2020 is a goal of SB 409. He said that as of 2004, about 90 percent of Kentuckians had access to potable water; the national average was about 70 percent. He stated that including the water projects approved during the 2004-2006 Biennium, the percentage of Kentuckians with potable water will likely rise. Those projects are expected to provide access to potable water for an additional 24,000 Kentuckians.

Mr. Graycarek stated that the estimated number of Kentuckians who lack potable water is about 400,000. This number is based on a survey conducted by the Program Review staff last year, but does not reflect the addition of any people who received access since that time.

Jody E. Hughes, John S. Tapp, and Robert Potter, Kentucky Infrastructure Authority, presented an updated response to the report.

Dr. Tapp stated that they would be updating committee members on KIA's activities for addressing the recommendations and discussing their view of the proper future direction regarding the implementation of SB 409.

Dr. Tapp stated that, in response to the report's Recommendation 1.1, among the proposed changes in House Bill 623 from the 2006 Regular Session was allowing affected water management planning council members to continue to serve for up to two years following consolidation or merger. He said that HB 623 was not enacted but KIA plans to address this recommendation through future proposed legislation.

He said in reference to recommendation 2.1 that KIA continues to streamline the State Revolving Fund application process. He said revisions to 200 KAR 17:050 and 200 KAR 17:070 were promulgated in July to help with this. Among other provi-

sions, these regulations make KIA the single point of contact for the funding process.

Dr. Tapp explained that in reference to recommendation 2.2, KIA developed a new prioritization method for the priority lists generated by the area development districts and water management planning councils for the Regular Session. He said that of the 841 drinking water projects submitted for funding in the 2006 session, 147, or 17 percent, were classified as regional. Of the 716 wastewater projects submitted, 110, or 15 percent, were classified as regional. He stated that KIA staff reviewed the water and wastewater projects classified as regional and concluded that generally projects were classified correctly. He said, however, the review indicated that the definition for regional might now be too general.

Dr. Tapp stated KIA's new prioritization schedule for the 2006 Regular Session was based on a point system that allowed for an annual statewide funding prioritization schedule. The prioritization schedule was segregated by county prior to its distribution to members of the General Assembly. He stated that there were 1563 projects submitted through the water management planning councils for prioritization for funding. He said there were 523 projects funded as line items by the General Assembly with bond funds. Of these 523 projects, 292 were from the priority lists developed by the water management councils. Dr. Tapp stated that of the top 10 percent ranked projects (156 projects) on the statewide prioritization schedule, 73 projects, or 47 percent, were funded. He said that of the top 50 percent (781 projects), 231, or 29 percent, were funded. He explained that for each county's top 2 ranked projects, 105 projects of the possible 240 projects were funded. Looking at each county's wastewater projects, 49 counties each had their top ranked project funded. For each county's drinking water projects, 57 counties had their top ranked project funded.

Mr. Hughes stated that this is the first year KIA had a consistent statewide prioritization process.

Dr. Tapp said that in HB 623 KIA proposed changes to KRS 224 to clarify "potable" and "available." KIA proposed replacing "potable" with "an adequate supply of safe drinking water." In the regulatory context, potable means water produced by a public water system. He stated that in some areas of the state, particularly extreme Western Kentucky, an adequate supply of safe drinking water is available from aquifers supplying private water wells. He stated some residents do not want to be connected to a public water system.

Dr. Tapp stated in reference to recommendation 2.5 the prioritization process that KIA developed for use by the area development districts and the planning councils for projects to be funded in the 2006 Session has received a lot of feedback. He stated that KIA will continue to refine the standardized criteria for use in developing further priority lists.

He stated that KIA has encouraged

the planning councils to include wastewater agencies and wastewater projects as full partners in the planning process dictated by SB 409. He said that wastewater projects have been priority ranked similarly to drinking water projects.

Dr. Tapp stated that in the last four budgets funding has been provided for over \$600 million in grants for water and sewer projects, primarily from bonds and coal severance funding. In addition, in the last 5 years, over \$1 billion has been allocated from other state, federal, local and private sources for water and wastewater projects in Kentucky. He stated a survey conducted for KIA indicated that almost 92 percent of Kentucky families have access to public drinking water. Many Kentucky counties are now approaching 100 percent of homes having access. Approximately 132,000 households with an estimated population of 320,000 still do not have access to public drinking water. He stated that to meet the goal of safe drinking water for all Kentuckians by 2020, the General Assembly needs to focus its funding efforts toward that goal.

Dr. Tapp said that in KIA's October testimony, they suggested there was a need to begin transitioning from grant funding to a grant/low-interest revolving loan pool. He said KIA recommends again that the General Assembly strongly consider placing at least a portion of any bond funding available for water and wastewater projects into KIA's 2020 account for use as a grant/revolving loan pool. He said to have any chance of becoming a self-sustaining fund for the future, the 2020 fund needs to generate at least \$30 million per year in appropriated money plus repayments. He stated that putting the dollars in KIA's 2020 account reserves the funds for water and sewer projects, gives KIA the flexibility to develop a long term sustainable state revolving loan program, and allows KIA to implement the incentive portions of SB 409. He said to continue the progress made toward regionalization and consolidation of utilities and services, KIA needs funding for the 2020 account to implement the incentives mandated by SB 409: encouraging consolidations of water systems and the elimination of duplication, correcting water loss from distribution systems, focusing on providing service to unserved and underserved areas, establishing and monitoring proper accounting systems for utilities, and monitoring the setting of user charges to reflect the cost of the service being provided.

Rep. Arnold asked what was the amount of bonds the General Assembly issued for water and sewer.

Dr. Tapp said it was approximately \$210 million.

Rep. Arnold commented that it is good to consider grants and loans instead of just grants.

Sen. Borders asked for clarification that Appendix A of KIA's handout did not take into consideration the current budget cycle.

Dr. Tapp responded that was correct.

Sen. Borders asked whether repairing old water lines will become an issue as

access gets closer to 100 percent.

Dr. Tapp responded that in a sense this has already started because many of the projects funded in recent cycles dealt with aging infrastructure. He stated that the hope would be putting grant money into a system and generating additional customers so that a lot of the rehabilitation funding could be generated from money within the system.

Sen. Borders asked what kind of recourse is available towards private entities that are not willing to cooperate with other systems to provide water.

Mr. Hughes responded that there are incentives to encourage that cooperation but some systems are not connected. He stated he was not sure about private entities, but for all public systems subsidized by federal or state money, KIA should have the ability to encourage them to cooperate.

Sen. Borders asked what the approximate percentage with access to potable water was in the early 1990s.

Dr. Tapp estimated that the percentage has increased from 80 or 85 percent since the early 1990s.

Rep. Butler asked in reference to recommendation 2.4, if there is an area that could be served by wells, but they may be expensive to drill, is that type of area going to be considered as having adequate water.

Dr. Tapp stated that it depends on the situation. There are areas, as in Western Kentucky, with good aquifers and the water is generally of good quality. He said that KIA hopes to get more detail on the unserved and the extent to which they are interested in being connected to public systems.

Sen. Harris asked if cisterns are considered a source of potable water.

Dr. Tapp stated that there has been discussion that one of the solutions to serving the unserved in remote areas is to encourage the water districts to develop a service to haul water to cisterns.

Kara Daniel, Program Review staff, presented a summary and update of the report Improved Coordination and Information Could Reduce the Backlog of Unserved Warrants. The report was adopted by the committee on July 14, 2005. Ms. Daniel stated that the report focused on three main study objectives: to determine the magnitude of the problem of unserved warrants, to describe the current warrant process, and to look at the current and future use of information systems in the warrant process. She stated that the report discussed the three primary types of warrants: complaint, bench, and indictment. Ms. Daniel stated that there is no comprehensive, statewide database that contains information about all warrants. She stated that the three types of warrants originate with different agencies and are processed differently from county to county. The information about them is held in various places and forms. The Administrative Office of the Courts (AOC) operates CourtNet, which has information on bench warrants and indictment warrants from all 120 counties. AOC provided staff with CourtNet data on bench war-

rants and indictment warrants issued between January 2000 and January 2005 for the initial report and for warrants issued through July 2006 for this update. She said that CourtNet also contains data on Jefferson County's complaint warrants, which were provided to staff, but CourtNet does not contain information on complaint warrants for other counties. She stated that to get information for the initial report, staff traveled to six counties and gathered data about their complaint warrants.

Ms. Daniel stated that based on data available in 2005, there were an estimated 205,000 to 293,000 bench warrants, an estimated 5,000 to 7,000 indictment warrants, and an estimated 55,000 to 85,000 complaint warrants. She stated staff did not update the statewide estimate for this follow-up because there was no new information about the number of complaint warrants. She said that indictment warrants have increased by about 200 and bench warrants have increased about 26,000 since January 2005. She stated that there were more unserved bench warrants in the state than any other type of warrant in 2005 and that is likely still the case.

Ms. Daniel stated that for this update staff obtained more recent data from AOC about the number of active indictment and bench warrants. She stated that as staff reported last year, the backlog of unserved bench and indictment warrants is continuing to grow. However, the additional data show it may not be growing as quickly as before. She stated that last year the backlog of unserved warrants was growing by about 17 percent, or 28,000, a year. After analyzing the more recent data, the annual growth rate in the backlog in the last year and a half was about 11 percent, or 18,000 warrants. She said the additional data did not show evidence of any large-scale, systematic purges of older warrants. She stated that because warrants remain active indefinitely and because older warrants are less likely to be served, the report included one recommendation to address the problem by encouraging implementation of periodic review policies. Because bench warrants make up the majority of unserved warrants, the report included five recommendations intended to reduce the number of bench warrants that are issued.

Ms. Daniel explained that among bench and indictment warrants analyzed for the report, the more serious the offense, the more likely the warrant was served. The most recent data show that continues to be true and also indicate better service rates for all types of crimes. Fourteen percent of felony warrants were unserved and 28 percent of misdemeanor warrants were unserved, compared to 16 percent and 31 percent last year.

Ms. Daniel stated that at the time of the initial report, staff also looked at the types of crimes associated with unserved warrants. Among bench and indictment warrants, theft by deception was the most common offense, followed by DUI, and offenses related to driver's licenses. She said that among unserved complaint warrants, theft by deception warrants were

also the most common, followed by failure to pay child support and theft by unlawful taking. She explained that overall, theft by deception was the most common underlying crime among the unserved warrants. Theft by deception is typically committed by presenting a bad check. Reducing the number of bad check warrants issued could reduce the backlog of unserved warrants, so the report included two recommendations intended to reduce the number of bad check warrants issued.

Ms. Daniel stated that at the time of the review, staff found that the warrant system lacked coordination. Issuing, tracking, and serving warrants requires the cooperation of multiple agencies in two branches of government. There is no single agency that is accountable for tracking or serving warrants. The details of the process vary widely from county to county because each county has its own system set up by local officials. She said that the report included one recommendation intended to foster coordination by assigning responsibility to an independent organization that has representation from the agencies involved.

Ms. Daniel stated that tracking a warrant's status is vital. Before an officer can serve a warrant, the officer must know that the warrant exists and that it has not been previously served or recalled by the court. She said there is no comprehensive statewide warrant database, but some statewide information is available. She said in the absence of any comprehensive database, counties have devised their own methods of tracking warrants. Some use computerized databases and some rely on paper files to conduct a warrant check. The databases that do exist are usually not connected. As a result, law enforcement officers often have no way of learning about warrants issued outside their own county. She stated that the lack of statewide tracking results in lost opportunities to serve warrants and an inability to evaluate an agency's performance and address problems. Since tracking plays such an important role in the warrant process, the report included seven recommendations addressing it.

Ms. Daniel stated that the E-Warrant pilot project is an ongoing project that could eventually improve the warrant process and make information more available to law enforcement. The pilot project is planned for Clark and Woodford Counties to handle complaint warrants that have a numeric identifier and are for more serious crimes. She stated that the project is a Web-based system of processing warrants that would allow a warrant to be handled electronically without printing a paper copy. Future plans for the project include expansion to a statewide database that would include all types of arrest warrants. She stated that it was expected to begin in September 2005 but has not yet started. The report contained five recommendations about the E-Warrant project.

Ms. Daniel explained that, in practice, different law enforcement agencies serve warrants in each county and they handle them according to internal agency policies. She said in the absence of a statewide da-

tabase or any reporting requirements, there is little information available that can be used to evaluate law enforcement's performance at serving warrants. Using the limited information available from CourtNet, staff were able to estimate the time it takes to serve bench and indictment warrants in Kentucky. She said the statewide average is 576 days to serve 75 out of 100 warrants. She added that this is an improvement over last year's data, which showed an average of 674 days. There are no state or national standards regarding an acceptable length of time to serve warrants, so it is unknown how Kentucky compares. The report included six recommendations intended to facilitate service of warrants by law enforcement.

Sen. Seum asked if a complaint warrant could also be a felony warrant.

Ms. Daniel responded that it could.

Sen. Seum asked whether a bench warrant could also be a felony warrant and whether someone not showing up for court is also a bench warrant.

Ms. Daniel stated that a bench warrant can be issued in a felony case.

Rep. Baugh asked if some of the warrants require the offender to be picked up or just served with the warrant.

Ms. Daniel stated that if it is an arrest warrant they are supposed to be picked up and actually arrested, but there is such a thing as a criminal summons that is served on a person to provide notice of his or her court date.

Rep. Baugh asked for the less serious offenses or warrants whether a law enforcement official is required to deliver the warrant.

Ms. Daniel stated this is a requirement.

Rep. Baugh asked if law enforcement included the constable.

Ms. Daniel stated that it varies around the state, but by statute the constable can serve a warrant.

Rep. Baugh asked if there was a fee for serving a warrant.

Ms. Daniel responded that there is.

Rep. Arnold asked if some states mail out a letter stating that a warrant has been issued.

Ms. Daniel stated that some areas do that for minor crimes.

Rep. Arnold asked how much law enforcement officials receive for serving a warrant.

Ms. Daniel stated that it is \$30 for a misdemeanor warrant and \$20 for a felony warrant.

Rep. Arnold asked if that is the same amount no matter how many times they go searching for the offender.

Ms. Daniel stated that is correct, and it is only collected if the fee is assessed by a judge and collected from the defendant.

Melinda Wheeler, Director, Kentucky Administrative Office of the Courts and Mary Pedersen, E-Warrants Project Director, presented an updated response to the report.

Ms. Wheeler stated the Chief Justice has ordered that each case in the system must have court dates and the CourtNet system now allows defendants to go online and see when their next court date is. She

stated that all defendants leaving jail or the courtroom have future court dates in their possession. They have pre-trial follow-ups for all who qualify to make sure they attend their next court date. She stated that all defendants can contact their local circuit clerk's office if they have lost paperwork or cannot get on the Internet. She stated that when an arrest is made, pre-trial officers go through CourtNet to check for bench or indictment warrants for the arrested individual. If yes, pre-trial officers contact the arresting agency or counties that have the warrants. She said that pre-trial services assisted in serving 60,000 bench warrants through that process last year. She explained that all police departments in the state have access to the CourtNet database and they are currently working with the Transportation Cabinet to be able to suspend licenses for offenses other than those related to driving.

Ms. Pedersen stated that they are still in the process of developing a pilot electronic warrant system. She stated that the plan was to launch the pilot last September, but there were personnel issues. She stated that by making the program Web-based, the timeline was increased, but accessibility and security will be better. She stated they received a sign-off from the Kentucky State Police to proceed with the pilot. She said a demonstration for AOC resulted in useful suggestions and modifications to the system are being processed now. She said demonstrations for two district judges from Fayette and Woodford Counties resulted in positive feedback, but also suggested modifications that will require additional coding time, such as suppression of certain offender information and updating the warrant form. She stated they are hoping to begin the pilot within the next 60 days.

Rep. Baugh asked if the wanted person would have to provide an electronic signature.

Ms. Pedersen stated that at the point when the warrant was served the offender would receive a printed copy of the warrant. She explained that the system would be accessible by law enforcement, clerks, judges, and prosecutors as the primary user base.

Rep. Baugh asked whether Kentucky has a bounty hunter program.

Ms. Wheeler stated that in Kentucky using bounty hunters is illegal.

Sen. Seum stated that the large number of unserved warrants indicated widespread contempt for the law and sets a terrible precedent. He stated that the most attended facility in Kentucky is the Jefferson County Courthouse. He said that the crime rate is increasing around the country and the murder rate is increasing rapidly in Jefferson County, and that law enforcement gets paid more to bring in offenders with misdemeanor crimes than felony crimes.

Sen. Harris stated that he and Rep. Thompson, the House co-chair, had agreed on two study topics to recommend that the committee vote to study.

A motion to initiate studies of 1) sitting decisions for electric transmission lines

and 2) pollution emissions trading was approved by roll call vote, upon motion made by Sen. Pendleton and seconded by Rep. Thompson.

Greg Hager, Program Review staff, presented a summary and update of the report Offshore Outsourcing of Kentucky State Government Services: Direct Contracting Is Limited but the Amount of Subcontracting Is Unknown. He noted that the report had been adopted by the committee on May 12, 2005.

Mr. Hager stated that the report had two main objectives: to determine the level of offshore outsourcing through Kentucky state government contracts and to examine relevant legislation of other states. He stated offshore outsourcing is when organizations, such as state government agencies, contract with an individual, a firm, or an organization in another country to provide specialized services.

Mr. Hager stated that staff identified 193 foreign contracts that have been awarded since fiscal year 2000 by Kentucky state government agencies. In last year's report, staff identified 40 offshore contracts. He stated that the increase is not due to a big increase in foreign contracts in the past year. In the report, staff concentrated on personal service contracts since one of the primary arguments of critics of outsourcing was the potential effect on U.S. employment. He stated for the update staff looked at all foreign contracts. He said the additional contracts were relatively small in total value. The total value of the 40 contracts reported on last year was \$5.67 million. The total value of the 193 contracts is \$6.64 million. He stated that the median contract value (of the 193) was almost \$3,000. Because there were some relatively high value economic development contracts, the average contract value was \$34,380.

Mr. Hager stated that staff categorized the foreign contracts to identify any patterns. More than half of the contracts were categorized as supplies, equipment, or advertising. The most common item was nursing home equipment from a Canadian company. He stated that most of the total money value of contracts is in the relatively small number of economic development contracts, for trade offices in Japan, Belgium, and Mexico.

He stated that Canada has the bulk of the total number of contracts, mostly computer software and nursing home equipment. Contracts for the economic development office in Japan accounts for almost half of total costs.

Mr. Hager stated that since last year's study, new information on subcontracting became available from a study by the U.S. Government Accountability Organization. He stated that based on a survey of directors of programs, 43 states reported that offshoring occurred in at least one of the following: food stamps (31 states), Temporary Assistance for Needy Families (16), child support enforcement (12), and unemployment insurance (8). He stated that customer service, primarily through call centers, was the most frequently outsourced task according to the survey. Almost all the outsourcing identi-

fied by surveyed officials occurred through subcontractors, not direct contracts with foreign vendors.

Mr. Hager stated that most of the people who responded to the GAO survey who mentioned locations of offshoring mentioned India and Mexico.

For the report, staff identified 138 pieces of legislation introduced in 39 states in 2004, with 8 enacted into law. For the update, staff added information from 2005. He said 97 bills were introduced in 39 states last year, with 6 enacted into law.

Mr. Hager stated that for the update staff looked at executive orders relevant to state contracting using foreign vendors. Staff were able to identify executive orders still affecting contracting in six states. He stated that in Arizona, an order requires that providers of services through state government contracts must be located in the U.S. In Alaska and Missouri, providers of services must be located in the U.S., but there can be exceptions. A Michigan executive order establishes a preference for in-state contractors. Three states require that vendors disclose any offshore outsourcing, which can be taken into account in the awarding of the contract.

Mr. Hager stated that through a 2005 law, New Jersey prohibits offshore outsourcing. He stated that two states regulate handling of information by statutes. Colorado allows offshoring if safeguards are in place to protect privacy and confidentiality and California prohibits sending information collected in voter referendum outside the U.S.

Mr. Hager explained that eight states, through law or executive order, give preferences in awarding contracts to contractors within that state or the U.S. in general: Illinois, Indiana, Michigan, Minnesota, Missouri, North Carolina, North Dakota, and Tennessee. He stated that eight states require reporting of information related to offshore outsourcing: Alaska, Florida, Illinois, Maine, Michigan, Minnesota, Missouri, and North Carolina.

Summarizing state policy on the subject, he stated that staff were able to identify 15 states that have legislation or executive orders affecting outsourcing of state contract work and 35 states that do not. The meeting adjourned at 11:55.

Tobacco Settlement Agreement Fund Oversight Committee

Minutes
August 8, 2006

The Tobacco Settlement Agreement Fund Oversight Committee meeting was held on Tuesday, August 8, 2006, at 1:00 p.m., in Room 169 of the Capitol Annex. Senator Vernie McGaha, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Vernie McGaha, Co-Chair; Representative Carolyn Belcher, Co-Chair; Senators Charlie Borders, David E. Boswell, Joey Pendleton, and Richie Sanders Jr; Representatives Adrian K. Arnold, James R. Comer Jr, Charlie Hoffman, Thomas M. McKee, Tommy

Turner, and Rep. Don Pasley.

Guests: Alfred M. Cohen, M.D., Director and CEO, Markey Cancer Center, University of Kentucky; Donald Miller, M.D. Ph.D., Director, Brown Cancer Center, University of Louisville; Julie McPeak, Executive Director, Office of Insurance; D.J. Wasson, Insurance Program Manager, Office of Insurance; Irene Centers, Program Manager, Tobacco Prevention and Cessation Program; Keith Rogers, Executive Director of the Governor's Office of Agricultural Policy; and Brian Furnish, Deputy Director, Governor's Office of Agricultural Policy.

LRC Staff: Lowell Atchley, Clark Baird, and Susan Spoonamore, Committee Assistant.

Minutes of the July 11, 2006 meeting were approved, without objection, by voice vote, upon motion made by Senator Boswell and seconded by Senator Borders.

Chairman McGaha introduced the first two speakers, Dr. Alfred Cohen, director of the Markey Cancer Center at the University of Kentucky, and Dr. Donald Miller, director of the Brown Cancer Center at the University of Louisville.

During their respective testimony, the speakers described the cooperative efforts between the two universities in lung cancer research. According to the doctors, Markey had 38 lung cancer researchers and Brown had 20. There were none at either university in 2000. They stated that both universities were pursuing National Cancer Institute designation, which would help bolster their infrastructure.

Dr. Cohen said their goal was "obviously early detection" of cancer, and he described some of the early detection efforts. Dr. Cohen said they had established a clinical trials network that involved partnerships with 24 medical centers throughout the state. Dr. Miller told the committee that the Brown Cancer Center scientists were making discoveries in cancer research based on the tobacco settlement funding. He said they had two treatments in early-phase trials and were working on five or six new cancer drugs. According to the doctors, both universities were being prudent in their use of tobacco settlement funds.

Chairman McGaha said it was "remarkable" to see the two schools have about 60 people employed in lung cancer research in a six-year period.

Senator Boswell asked if they were able to receive any benefit from the old tobacco research institute. Dr. Cohen responded they had on one area – using small animals such as mice in assessing the effects on smoking on cardio-vascular systems and lungs. Responding to Representative McKee, Dr. Cohen described some of their work in early detection. He said they were looking into the question whether CAT scans are good early detection devices, and were attempting to determine if bodily proteins are a good early detector.

Representative Don Pasley personally thanked Dr. Cohen for their treatment of his mother, who succumbed to cancer.

Responding to Representative Hoffman, Dr. Cohen said some of the ab-

normalities being detected by CAT scans in the region might actually be caused by the fungus that is prevalent in the Ohio River Valley.

Next, the committee received an update from Julie McPeak, Executive Director of the Office of Insurance, who reported on the status of the Kentucky Access high-risk insurance program, and on the Health Care Improvement Authority.

Ms. McPeak stated that Kentucky Access had approved 7,314 applications, and as of June 30, 2006, the program had 3,695 active enrollees. The program had \$41,909,044 in net assets at the end of the same period. She also stated that even with the 5 and 4 percent premium increases in 2005 and 2006 respectively, she did not anticipate needing a second assessment in coming months. She told the committee the program might need some statutory or regulatory changes related to benefit plan options. She also said they were reviewing efficiencies in drug costs.

Clarifying a point for Representative Arnold, Ms. McPeak said the number of approved applications compared to the number of active enrollees took into account gaining members, but also losing members for a variety of reasons. Turning to the Health Care Improvement Authority board, Ms. McPeak said she expected the Auditor to criticize the authority for poor meeting attendance and lack of quorums at board meetings. She said they hoped to increase their attendance and might explore teleconferencing as a means to allow some members to take part in meetings. Responding to Representative Comer, she said they averaged about six (out of 15) board members consistently attending meetings.

Co-chair Belcher asked for a listing of the vacancies on the board. Ms. McPeak stated that she would get a list of the vacancies to the committee.

Chairman McGaha suggested using proxies for the regular appointees to the board of the authority.

Chairman McGaha next asked Irene Centers, Program Manager of the Tobacco Prevention and Cessation Program to report on the activities of program. Ms. Centers stated that 71 percent of Kentuckians do not smoke, and an average of 44 percent of adult smokers in Kentucky tried to quit last year. She reported that 27 percent of live births in Kentucky last year were to women who smoked during pregnancy.

Ms. Centers reviewed some of the strategies to reduce tobacco use among adults and young people, including messages in the media, increasing the cost of tobacco products, using health care provider education, and telephone counseling. She said 91 percent of FY05 MSA funds were allocated to local health departments for assorted smoke cessation and prevention programs. Tobacco Prevention and Cessation was allocated about \$2.2 million in FY07, down from \$2.7 million in FY06.

Representative McKee asked about the prevalence of second-hand smoke. Ms. Centers said she had no data for Kentucky. She mentioned that health departments

had distributed information on smoking outside buildings and smoke-free workplaces.

Co-Chair Belcher initiated a discussion regarding smoke-free schools. Ms. Centers noted that while principals and superintendents might say their schools were smoke-free, students would dispute those claims. She said they were working on a resource guide for schools wanting to adopt model policies. Co-Chair Belcher said school no-smoking policies needed to be stressed.

Mr. Keith Rogers, Executive Director, Governor's Office of Agricultural Policy and Mr. Brian Furnish, Deputy Director of the Governor's Office of Agricultural Policy, presented the monthly report of state and county projects reviewed at the previous Agricultural Development Board (ABD) meeting.

The committee discussed the award of \$146,360 in state matching funds to the University of Kentucky for an agricultural leadership program. Mr. Rogers told Representative McKee that UK would establish the agenda for the program and that Philip Morris was no longer a sponsor. Senator Pendleton observed that the program would require an average of \$7,300 per pupil in tobacco funds. Mr. Furnish noted that, with the UK commitment, the per-pupil average would be about \$16,000 per student. He mentioned travel expenses would be a costly part of the training course. The committee also spent some time discussing the award of \$2,068,170 in state agricultural development funds to the Kentucky Dairy Development Council to set up three initiatives, one which set aside \$2 million in matching funds to pay production bonuses to dairy farmers. Mr. Rogers said the approximately 1,200 dairy farmers in Kentucky would be eligible for some facet of the funds.

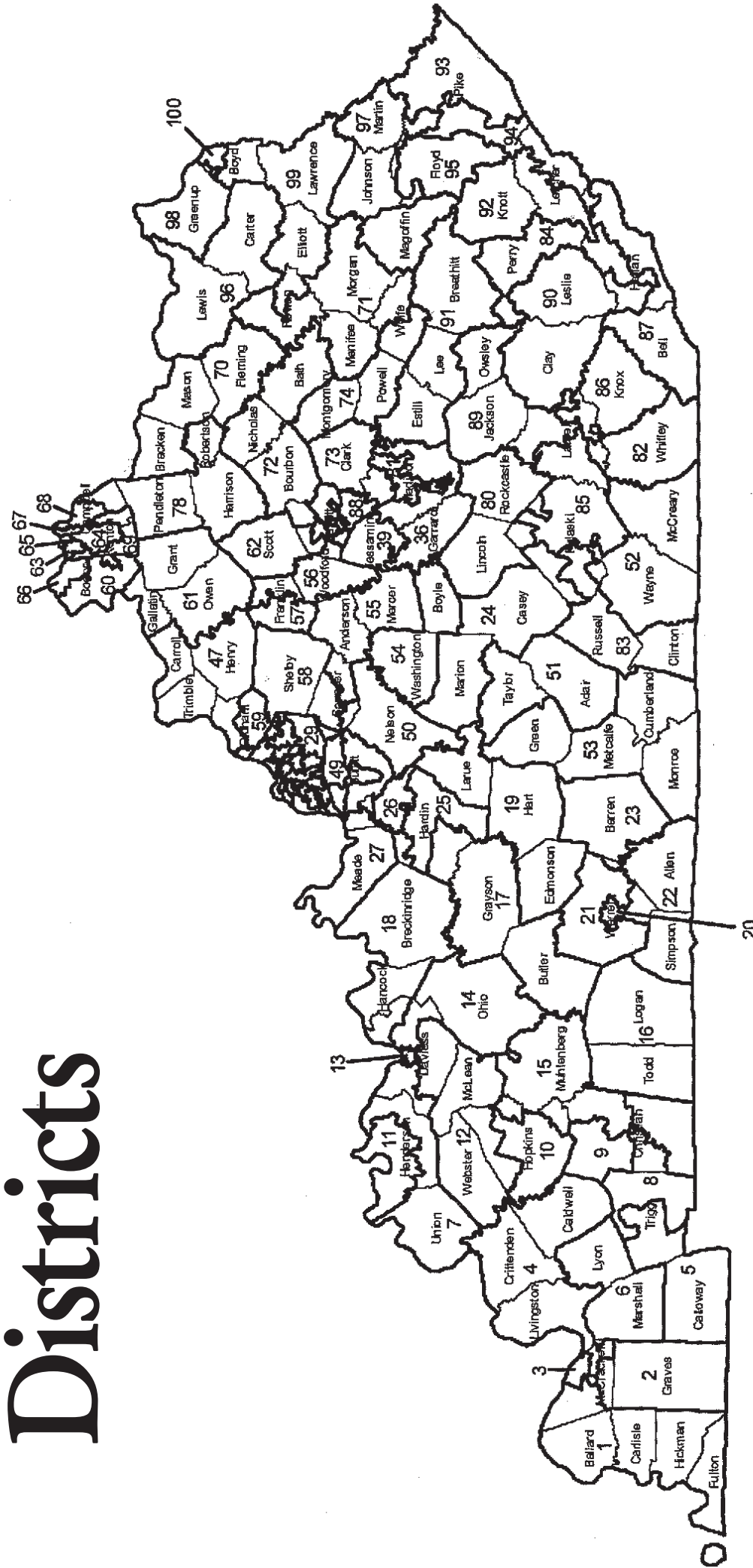
Senator Pendleton, a former dairy farmer, asked about a possible impact on the dairy conference at UK. Mr. Rogers said he believed the KDDC and UK would be working together on dairy issues. The senator also suggested the KDDC and its partners be given credit in some manner for the production bonuses, which would be listed on producer checks coming from milk companies. Senator Pendleton also expressed some concerns about young dairy farmers not qualifying for the incentive bonuses because of no linkage to tobacco production or dependency on the crop. (The incentive program required farmers to have participated in the Phase II program, to receive buyout payments, or to be the son or daughter of a person who was tobacco dependent.) In continuing discussion about tobacco dependency, Representative Arnold observed noted that the ADB was following the tenets of House Bill 611. Representative Arnold asked if public interest had waned in any model programs. Mr. Rogers said none had reached their peak, although interest in some programs might have declined, but had increased in other model programs.

Documents distributed during the committee session are available with meeting materials in the LRC Library. The meeting adjourned at approximately 2:45 p.m.

Districts

THE KENTUCKY GENERAL ASSEMBLY

House Districts



House Plan (HH001A11) became law (KRS 5.201 - 5.300) January 31, 2002, with enactment of House Bill 1.

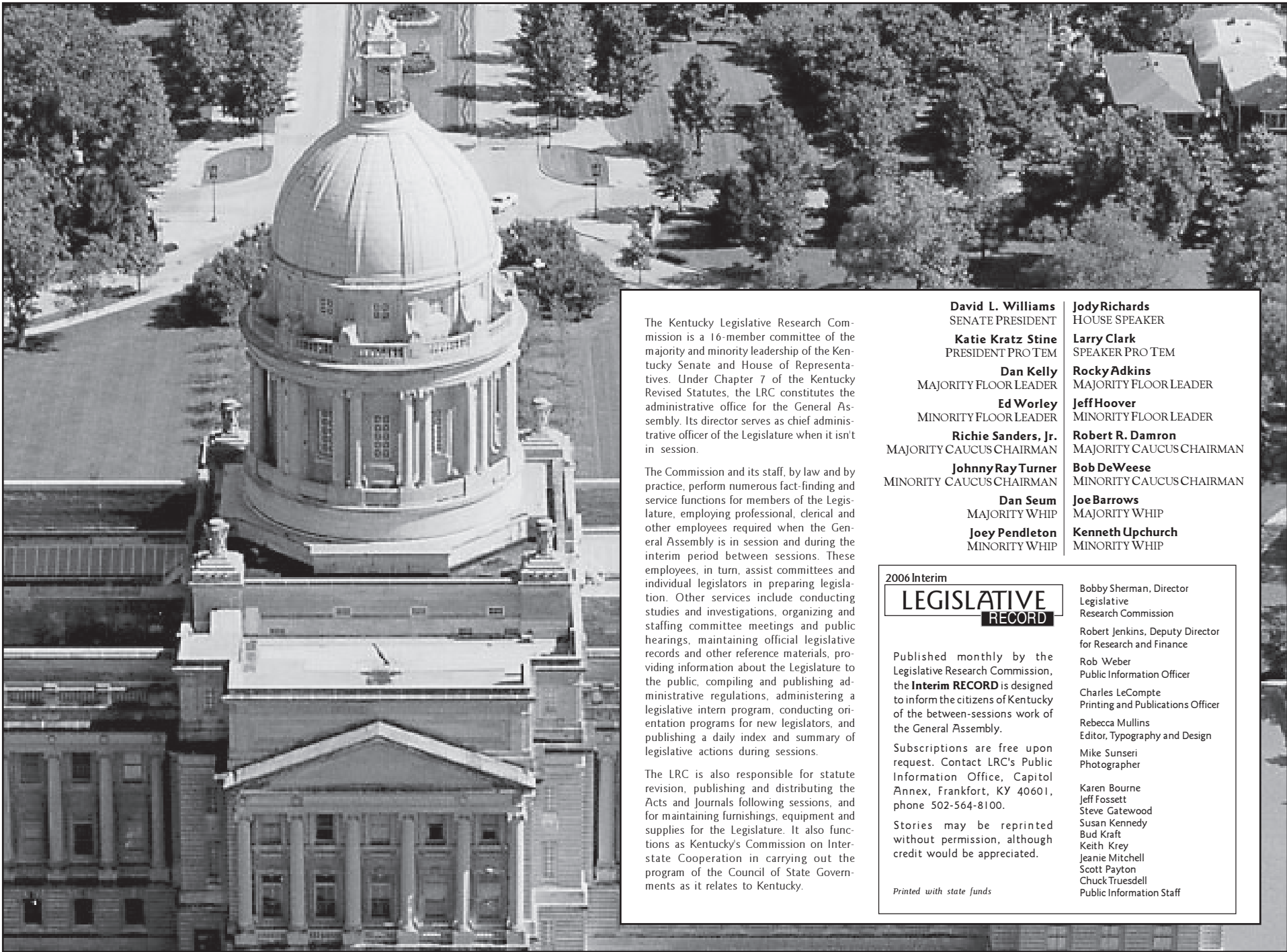
LRC Publications

Informational Bulletins

220 General Assembly Action, Regular Session 2006
219 Final Reports of the Interim Joint Special and Statutory Committees (2005)
218 Issues Confronting the 2006 General Assembly
217 General Assembly Action, Regular Session 2005
216 Final Reports of the Interim Joint, Special and Statutory Committees (2004)
215 Issues Confronting the 2005 General Assembly, An Update of Information Bulletin No. 212
214 General Assembly Action, Regular Session 2004
213 Final Reports of the Interim Joint, Special and Statutory Committees (2003)
212 Issues Confronting the 2004 General Assembly (2003)
211 General Assembly Action, Regular Session 2003
210 Constitution of the United States of America, Constitution of the Commonwealth of Kentucky
209 Issues Confronting the 2003 General Assembly (2002)
208 Final Reports of the Interim Joint, Special and Statutory Committees (2002)
207 General Assembly Action, Regular Session 2002
206 Final Reports of the Interim Joint, Special and Statutory Committees (2001)
205 Issues Confronting the 2002 General Assembly, Supplement to Issues Confronting the 2002 General Assembly
204 General Assembly Action, Regular Session 2001
203 General Assembly Action, Regular Session 2000
202 Final Reports of the Interim, Joint, Special and Statutory Committees, 1998-99
201 Issues Confronting the 2000 General Assembly
200 General Assembly Action, Regular Session 1998
199 Final Reports of the Interim, Joint and Statutory Committees, 1996-97

Research Reports

332:A Review of the School Facilities Construction Commission (February 2006)
331: A Study of Physician Assistant Licensure (December 2005)
330: Implications of the U.S. Supreme Court's *Kelo* Decision for the Use of Eminent Domain in Kentucky (2005)
329: Planning for Water Projects in Kentucky: Implementation of Senate Bill 409 (2005)
328: An Analysis of the Commonwealth Accountability Testing System (2005)
327: Kentucky Can Improve the Coordination of Protective Services for Elderly and Other Vulnerable Adults (2005)
326: Improved Coordination and Information Could Reduce the Backlog of Unserved Warrants (2005)
325 Offshore Outsourcing of Kentucky State Government Services: Direct Contracting Is Limited but the Amount of Subcontracting Is Unknown (2005)
324 Appropriate Management and Technology Can Reduce Costs and Risks of Computer Use by State Employees
323 A Study Expanding Prescriptive Authority for Controlled Substances to Advanced Registered Nurse Practitioners (2004 HB 595)
322 Uncollected Revenues and Improper Payments Cost Kentucky Millions of Dollars a Year (2004)
321 Program Evaluation: Improving Fiscal Accountability and Effectiveness of Services
320 Feasibility of Establishing a Bill Monroe State Park (SCR 157) in the Ky. Transitional Assistance Program
319 Human Service Transportation Delivery: System Faces Quality, Coordination and Utilization Challenges
318 The Competitiveness of Kentucky's Coal Industry (2004)
317 A Study of the Kentucky Education Excellence Scholarship Program
316 Compulsive Gambling in Kentucky
315 A Study of Secondary Career and Technical Education



The Kentucky Legislative Research Commission is a 16-member committee of the majority and minority leadership of the Kentucky Senate and House of Representatives. Under Chapter 7 of the Kentucky Revised Statutes, the LRC constitutes the administrative office for the General Assembly. Its director serves as chief administrative officer of the Legislature when it isn't in session.

The Commission and its staff, by law and by practice, perform numerous fact-finding and service functions for members of the Legislature, employing professional, clerical and other employees required when the General Assembly is in session and during the interim period between sessions. These employees, in turn, assist committees and individual legislators in preparing legislation. Other services include conducting studies and investigations, organizing and staffing committee meetings and public hearings, maintaining official legislative records and other reference materials, providing information about the Legislature to the public, compiling and publishing administrative regulations, administering a legislative intern program, conducting orientation programs for new legislators, and publishing a daily index and summary of legislative actions during sessions.

The LRC is also responsible for statute revision, publishing and distributing the Acts and Journals following sessions, and for maintaining furnishings, equipment and supplies for the Legislature. It also functions as Kentucky's Commission on Interstate Cooperation in carrying out the program of the Council of State Governments as it relates to Kentucky.

David L. Williams
SENATE PRESIDENT

Katie Kratz Stine
PRESIDENT PRO TEM

Dan Kelly
MAJORITY FLOOR LEADER

Ed Worley
MINORITY FLOOR LEADER

Richie Sanders, Jr.
MAJORITY CAUCUS CHAIRMAN

Johnny Ray Turner
MINORITY CAUCUS CHAIRMAN

Dan Seum
MAJORITY WHIP

Joey Pendleton
MINORITY WHIP

Jody Richards
HOUSE SPEAKER

Larry Clark
SPEAKER PRO TEM

Rocky Adkins
MAJORITY FLOOR LEADER

Jeff Hoover
MINORITY FLOOR LEADER

Robert R. Damron
MAJORITY CAUCUS CHAIRMAN

Bob DeWeese
MINORITY CAUCUS CHAIRMAN

Joe Barrows
MAJORITY WHIP

Kenneth Upchurch
MINORITY WHIP

2006 Interim

LEGISLATIVE RECORD

Published monthly by the Legislative Research Commission, the **Interim RECORD** is designed to inform the citizens of Kentucky of the between-sessions work of the General Assembly.

Subscriptions are free upon request. Contact LRC's Public Information Office, Capitol Annex, Frankfort, KY 40601, phone 502-564-8100.

Stories may be reprinted without permission, although credit would be appreciated.

Printed with state funds

Bobby Sherman, Director
Legislative Research Commission

Robert Jenkins, Deputy Director
for Research and Finance

Rob Weber
Public Information Officer

Charles LeCompte
Printing and Publications Officer

Rebecca Mullins
Editor, Typography and Design

Mike Sunseri
Photographer

Karen Bourne
Jeff Fossett

Steve Gatewood
Susan Kennedy

Bud Kraft
Keith Krey

Jeanie Mitchell
Scott Payton

Chuck Truesdell
Public Information Staff

2006 Interim

LEGISLATIVE RECORD

KENTUCKY GENERAL ASSEMBLY

700 Capitol Avenue
Frankfort, Kentucky 40601

Pre Sorted Standard
U.S. Postage
PAID
Frankfort, Kentucky
Permit Number 308